

ORIGINAL

Decision No. 56261

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
BIG BEAR PINES WATER COMPANY, a Cali-  
fornia corporation, under Section 728  
of the Public Utilities Code, to in-  
crease its rates for water.

)  
) Application No. 34541  
) First Supplemental  
) (Amended)  
)  
)  
)

Moss, Lyon & Dunn, attorneys, by George C. Lyon  
and John L. Lyon, president, and Everett  
L. Clarke, consulting engineer, for  
applicant.

W. B. Bradshaw for five consumers; Mrs. Grace M.  
Rouff for 47 consumers in Lakewood and  
Big Bear Woodlands Tracts; Mrs. Elaine  
Falkenstien, Mrs. Myrna V. Miller, Elizabeth  
DeWolf for all consumers; and Paul T. Miller,  
in propria personae, protestants.

Gordon, Knapp, Gill, & Hibbert, attorneys, by  
Wyman C. Knapp, for William Molnar, intervenor.

Carter Wall for 16 lot owners in Erwin Lake Park,  
interested party.

James G. Shields and Al Gieleghem, for the Commission  
staff.

FIRST SUPPLEMENTAL OPINION

Big Bear Pines Water Company, a corporation, filed the  
above-entitled First Supplemental Application on April 25, 1956,  
seeking authority to increase its annual flat rates for water  
service from \$24 to \$40 in the so-called Sugarloaf and Lakewood-  
Woodlands areas in unincorporated territory of San Bernardino  
County, about five miles east of Big Bear Lake. On February 4, 1957,

an amendment was filed seeking authority to increase the proposed annual flat rate to \$48, and on March 14, 1957, a second amendment was filed seeking authority to increase the proposed annual flat rate to \$60. Similar increases in general metered service rates were also sought.

Public hearings were held before Commissioner Rex Hardy and Examiner Stewart C. Warner on August 14, 15, and 16, 1957, and before Examiner Warner on October 29 and 30, 1957, at Big Bear Lake. Approximately 100 letters were received protesting the proposed increase in rates and several consumers appeared on their own behalf, and for other consumers, likewise protesting the application. Said protests were based primarily on allegations of poor water service including frequent outages of water, lack of adequate pressures, discoloration and foreign matters in the water. Said protests also alleged that applicant had incurred and was incurring excessive operating costs due to leakages and wastage of water by it. Many vacationers and weekenders protested the proposed annual flat rate charge on the grounds that they used their mountain cabins only occasionally and for relatively short intervals throughout the year, particularly during the summer months.

William Molnar, a subdivider of a tract west of applicant's Sugarloaf service area, sought to intervene and have the Commission require applicant to extend its water service to his subdivision. Intervention was disallowed by the presiding commissioner at the hearing of August 14 on the grounds that it was not pertinent to the instant captioned proceeding.

Elizabeth DeWolf filed a motion to dismiss the application (Exhibit No. 19-A).

Basis of Application

By Decision No. 50971, dated January 10, 1955, in Application No. 34541 as originally filed July 14, 1953, applicant was authorized to increase its residential flat rate from \$18 per service connection per year to \$24. Concurrently with such authorized rate increase, applicant was directed in ordering paragraphs 4.a, b, and c, to advise the Commission of its progress in and the estimated costs of developing sources of additional water supply; to submit to the Commission a comprehensive and regular main-flushing plan within its service areas together with the estimated costs thereof; and to submit a report outlining its estimate of the needs of the water system to provide adequate service, together with the estimated cost thereof. On February 21, June 20, July 27, August 11, and October 13, 1955, applicant filed reports in compliance with said ordering paragraphs. The total cost of certain pipeline installations, including a new 2-inch pipeline from the Lower to the Upper reservoir, including the replacement and installation of other pipelines in the Sugarloaf area, and including the installation of two booster pumps, was estimated by applicant in its October, 1955, report to be \$9,800.

Ordering paragraph 4.d of Decision No. 50971, supra, provided further as follows:

"That if, upon compliance with the provisions of this paragraph 4 it appears that the new schedules of rates authorized herein will not produce a reasonable rate of return, applicant may by supplemental application request further financial relief and the matter may be opened for further hearings."

Description of Service Areas and Water System

Applicant's service areas include Tracts Nos. 2001 and 1855 of Big Bear Pinewoods, Tracts Nos. 1766 and 1754 of Big Bear Pines (Nos. 2 and 1), Camp Fontenelle, Big Bear Park, Big Bear Highlands, and Big Bear Park Annex, all known as the Sugarloaf area, and Big Bear Woodlands and Lakewood Tract about one mile east of the Sugarloaf area. Said service areas include about 7,000 subdivided lots, in which water service was being furnished to a total of 337 active services as of December 31, 1956. It was estimated that there would be an average of 352 consumers for the year 1957. Total pipelines installed were approximately 154,000 feet of 1½- to 4-inch standard and welded steel pipe, and approximately 800 feet of 6-inch transite pipe.

The sources of water supply presently being utilized by applicant are two wells, located in the Lakewood-Woodlands area at elevation 6,800 feet, which discharge into a 3-inch transmission line. Water is elevated through this transmission line by a booster pump, located at the east of the Sugarloaf area at elevation 6,995 feet to the so-called Lower reservoir, with a storage capacity of 58,000 gallons, at elevation 7,216 feet. Water from the Lower reservoir is elevated by another booster pump to the so-called Upper reservoir, with a storage capacity of 83,000 gallons, at elevation 7,351 feet. The east and north portion of the Sugarloaf area operates under working pressures established and regulated by the Lower reservoir. The southwest portion of said area operates under working pressures established and regulated by Upper reservoir. Operating pressures vary from 38 to 111 psi at the northern boundary of the certificated area provided by Lower reservoir, and from 53 to 121 psi in the southwest portion of the Sugarloaf area provided by Upper reservoir.

The record shows that the condition of the welded steel pipe is poor and that when operating pressures have been increased, frequent leaks have occurred. Said leaks have been caused by stones in the backfilling and trenching which have pierced the pipes. The record shows further, however, that if the extent of the pipeline installation is considered, there being approximately 25 miles of distribution pipeline to serve about 350 consumers, the number of leaks is not excessive when compared with other water system pipeline installations in rocky mountain areas. The record does not disclose any economical means for reducing the number of leaks except by maintaining reasonable operating pressures in the pipelines.

Rates

Applicant furnishes all water service on an annual flat rate basis, except to a clubhouse which is metered. As noted hereinbefore, the present annual flat rate is \$24 and the proposed flat rate is \$60.

Earnings

Exhibit No. 1 is a report on applicant's operations submitted by a consulting engineering witness for the year 1956 recorded, and the years 1956 adjusted and 1957 estimated at present and proposed rates. Exhibit No. 18 is a report submitted by Commission staff accounting and engineering witnesses covering applicant's operations for the same years. The following tabulation is a summary of the earnings data contained in Exhibits Nos. 1 and 18:

SUMMARY OF EARNINGS

Item	Year		Year 1957 Estimated			
	1956		Present Rates		Proposed Rates	
	Recorded:		Per Co.	Per PUC	Per Co.	Per PUC
	Ex. 1	Ex. 1	Ex. 18	Ex. 18	Ex. 1	Ex. 18
Operating Revenues	\$ 8,028	\$ 8,758	\$ 8,583		\$ 21,440	\$21,329
Operating Expenses	11,467	15,245	13,300		15,245	13,300
Depreciation	4,536	4,834	2,490		4,834	2,490
Taxes	700	665	690		665	1,248
Subtotal	16,703	20,744	16,480		20,744	17,038
Net Revenue	(8,625)	(11,986)	(7,892)		696	4,291
Rate Base	156,794	154,658	69,700		154,658	69,700
Rate of Return	N11	N11	N11		0.45%	6.2%

(Red Figure)

The Commission staff engineer adopted substantially all of applicant's estimates of operating expenses for the year 1957 except that he amortized the estimated cost of the instant rate proceeding over a five-year period in an annual amount of \$400 per year, plus the amortization of an amount of \$2,000 over a 20-year period, at \$100 per year, for other bookkeeping, accounting, and engineering costs associated with the instant and prior proceedings and the getting of applicant's books into proper shape. He also recomputed annual depreciation expense according to the straight-line remaining life method. He applied such depreciation expense computations to only that portion of applicant's utility plant which, he estimated, was related to the actual requirements to serve applicant's present consumers and those consumers anticipated to be added to the system in the foreseeable future.

In his estimated rate base the Commission staff engineer included only 30 per cent of the cost of applicant's transmission and distribution mains and excluded 70 per cent thereof on the basis that the latter amount of applicant's utility plant was not related to the number of applicant's present and foreseeable consumers. He also excluded from the rate base the utility plant associated with the Culvert and Ladder Springs on the basis that such springs were not and could not at the present time be used by applicant as a source of water supply for its water system, and would not be used thereby or therefor within the foreseeable future.

Meters.

The record shows that at least two permanent residents favored the installation of meters on all water service connections, including their own. The record further shows that substantially all weekend, occasional, seasonal, and vacation consumers opposed the installation of meters. Exhibit No. 6 is a study, submitted by applicant at the request of the presiding commissioner, of the estimated costs to applicant, together with the estimated revenues, were meters to be installed on all water service connections. Said exhibit also contains a numerical segregation of consumer residents. It shows the estimated number of permanent residents during 1957 to be 35; vacationers, 140; weekenders, 105; and occasional or temporary residents, 71; or a total of 351 consumer residents for the year 1957. This exhibit shows that applicant estimated that the cost of installing 368 5/8 x 3/4-inch meters at \$72.93 each would amount to \$26,838. The record shows that it would be necessary to pack meters in sawdust to prevent their freezing. The record also shows that, because of

the condition of the distribution pipelines, some meters might register incorrectly due to silt or foreign bodies which might have entered pipelines which might have theretofore deteriorated or might have broken. The record further shows that, based on the estimated water use distribution for the year 1957, the annual meter rates for permanent consumers, in order to produce applicant's estimated revenue requirements, would have to be much greater, proportionately, than such annual meter rates for vacationers, week-enders and occasional or temporary resident consumers.

Findings and Conclusions

It is evident, after a careful review of the record herein, that applicant is in need of financial relief and that part of such need has arisen from the additions effected by applicant to its water system fixed capital in improving its water service pursuant to the ordering provisions of Decision No. 50971, supra. It is further evident that applicant's operating expenses, particularly pumping expenses, have increased as a result of the installation and operation of booster pumps to elevate water to the Lower and Upper reservoirs in order to increase and improve operating pressures. It appears, and the Commission finds as a fact and concludes, that applicant has endeavored to eliminate many of the service conditions complained of and has succeeded to some extent, at the cost, however, of increasing its rate base and operating expenses. It was the intent of the Commission's orders in Decision No. 50791, supra, that, should such increases in fixed capital and operating expenses result, applicant should be provided with additional financial relief. It is further found as a fact and concluded, however, that applicant's proposed annual flat rate of

\$60 is excessive and unreasonable. The order hereinafter will, therefore, authorize applicant to file a new schedule of rates, including an annual flat rate of \$48, together with a new schedule of general metered service rates which will produce estimated gross annual revenues of \$17,030 or an increase of approximately \$8,450 over the staff's estimate of gross annual revenues at the present rates.

It is found as a fact and concluded that the estimates of applicant's operating expenses including depreciation and taxes, submitted by the staff are reasonable for this proceeding. The record supports our considered opinion, however, that, with greater diligence and care, applicant should be able to effect some reduction in its operating expenses particularly through more efficient use of its pumping equipment and through the installation of electrically operated pumps and automatic controls thereof, although the amount of such possible reductions in operating expenses cannot be determined exactly.

The rate base of \$69,700 submitted in Exhibit No. 18 by the staff, which reflects the improvements made by applicant, is found as a fact to be reasonable for this proceeding, and when such rate base is related to the estimated net operating revenue of \$550, a rate of return of 0.8 per cent will result. The Commission has considered the low level of this rate of return but finds that the value of the service under the existing conditions and as presently operated is worth no more to its consumers than the charges provided by the rates authorized herein.

The Commission is mindful of the fact that the flat rate of \$48 per year per service connection, authorized hereinafter, represents a 100 per cent increase over the present annual flat rate and that such rate will apply to permanent, vacation, weekend, and occasional or temporary residents without discrimination. It is likewise mindful of the resultant very low rate of return to applicant.

The Commission has repeatedly, with respect to other public utility water companies under its jurisdiction in other areas of Southern California, espoused a policy favoring the installation of meters on all consumers' water service connections. It does not appear to be desirable in the instant matter to order applicant to make such installations, which would be in the interest of the consumers who would then pay only for the quantities of water consumed plus a minimum charge, and in the interest of applicant who would be compensated for all water used, but the record discloses no practical means for effecting such installations. ✓

Applicant's financial condition as shown in Exhibit No. 18, supra, disclosed an operating deficit of \$60,181.14 as of June 30, 1957, which represented a claimed accumulation of annual operating losses sustained since 1947. Applicant has no apparent borrowing power to enable it to finance meter installations costing nearly \$27,000. Should the Commission order the installation of meters, then applicant would be entitled to an increase in its rate base to cover such additional plant capital, and the Commission would be required by law to authorize meter rates which would, necessarily, reflect such increased rate base with attendant depreciation, ✓

maintenance and meter reading expense. It should be remembered that a reasonable minimum annual rate is established in the event meters are installed in applicant's system for the simple reason that applicant must stand ready and able to serve all consumers at all times. It is obvious from the record that those consumers who are vacationers, weekenders, occasional and temporary residents of the area, aggregating 316 of the total of 351 consumers (1957), would use only the minimum annual rate for the greater part of each year, during which time certain fixed expenses of operation would continue. Thus, the permanent consumer residents would be bound to pay such rates for their permanent service as would take up the slack in operating revenues so occasioned. The problem is imponderable in such aspects, and the Commission is at this time unwilling to order applicant to install meters for all consumers. It should be noted that applicant's tariffs provide that a meter may be installed at the option of a consumer or the utility.

The record is replete with evidence of water wastage by the applicant in permitting breaks and leaks in water mains to continue over periods of several days on occasion, and over even longer periods on other occasions, without immediate repair. The record shows that the main-flushing program ordered by the Commission requires the use of large amounts of water without directly beneficial use to consumers except that discoloration and foreign bodies are thereby flushed out of pipelines. Such flushing does tend to improve the potability of water for domestic consumption.

The record shows that, without proper investigation, applicant accepted applications for water service from at least two consumers whose premises, where water is consumed for domestic purposes, are west and outside of applicant's Sugarloaf service area, and that an unauthorized connection to applicant's distribution pipe near the intersection of Baldwin Avenue and Santa Barbara Drive was effected by William E. Molnar, a subdivider operating in the general area. This connection serves a pipeline installed and owned by said Molnar which extends nearly 2,000 feet into said area outside of applicant's service area. Such pipe-line connection, although not effected or authorized by applicant, is contrary to ordering paragraph 5, of Decision No. 50971, supra, which directed applicant not to expand or extend its water system outside its then presently authorized service area without further order of the Commission. Applicant is, under the peculiar and illicit circumstances of this connection, denied proper supervision of the operation of the Molnar pipeline which, it is reported on the record, is subject to leaks and water wastage thereby increasing applicant's pumping expenses.

Because of the foregoing, the Commission finds as a fact and concludes that the water service connections to Lot 1, Block 31 of Big Bear Pinewoods, the so-called Gathercole connection, and to Lot 34, Block 33, Big Bear Pinewoods, the so-called White connection, and the so-called Bostwick-Guihan connection, and to Lot 29, Block 29 in Pinewoods, the so-called Miller connection, all of which were requested by parties for the purpose of receiving water outside of

applicant's service area, are adverse to the public interest and are to be disconnected and discontinued by applicant within 30 days after the effective date hereof, and the order hereinafter will so provide. The record herein discloses and the Commission finds as a fact that another source of water supply outside of applicant's service area is available to such water service connections, and that their disconnection from applicant's water service should not deprive them of water service from such other source.

The Commission finds as a fact and concludes that the increases in rates and charges authorized herein are justified and that present rates in so far as they differ from those herein prescribed are for the future unjust and unreasonable.

The motion to dismiss the application should and will be denied.

FIRST SUPPLEMENTAL ORDER

First Supplemental Application as amended, as above-entitled, having been filed, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That the motion to dismiss the application be and it is denied.
2. That Big Bear Pines Water Company, a corporation, be, and it is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedules of rates shown in Appendix A

attached hereto, and on not less than five days' notice to the Commission and to the public to make such rates effective for service rendered on and after April 1, 1958.

3. That applicant, within thirty days after the effective date hereof, shall disconnect its water services to Lot 1, Block 31 Big Bear Pinewoods, the so-called Gathercole connection, and to Lot 34, Block 33, Big Bear Pinewoods, the so-called White connection, and to the so-called Bostwick-Guihan connection, and to Lot 29, Block 29 in Pinewoods, the so-called Miller connection, and shall advise the Commission in writing that said disconnections have been effected within ten days thereafter.

4. That applicant, within sixty days after the effective date of this order, shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the water system properties of the applicant.

5. That ordering paragraph (6) of Decision No. 50971, dated January 10, 1955, is modified to the following:

Applicant shall determine the accruals for depreciation by dividing the original cost of utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant; applicant shall review the accruals when major changes in utility plant composition

occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 18<sup>th</sup> day of February, 1958.

*E. M. ...*  
President

*Robert ...*

*W. ...*

*R. Hardy*

\_\_\_\_\_  
Commissioners

APPENDIX A  
Page 1 of 3

## Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated areas known as Big Bear Woodlands Tract, Big Bear Lakewood Tract, Big Bear Pines, Big Bear Pinewoods, Big Bear Park Annex, Big Bear Park, Big Bear Highlands and Camp Fontenelle, near Sugar Loaf Post Office, San Bernardino County.

RATES

Per Meter  
Per Year

## Annual Quantity Rates:

First 10,000 cu. ft. or less.....	\$ 48.00
Next 12,000 cu. ft., per 100 cu. ft. ....	.45
Next 18,000 cu. ft., per 100 cu. ft. ....	.30
Over 40,000 cu. ft., per 100 cu. ft. ....	.20

## Annual Minimum Charge:

For 5/8 x 3/4-inch meter .....	48.00
For 3/4-inch meter .....	57.00
For 1-inch meter .....	69.00
For 1-1/2-inch meter .....	96.00
For 2-inch meter .....	120.00

The Annual Minimum Charge will entitle the customer to an annual quantity of water which that minimum charge will purchase at the Annual Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing March 1, and are due in advance.

APPENDIX A  
Page 2 of 3

Schedule No. 1 (cont'd.)

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS (cont'd.)

2. Meters may be read quarterly or semi-annually at the option of the utility. Water used in excess of the quantity allowed under the annual minimum charge will be billed at the Annual Quantity Rates.

3. For initial service connected after March 1, the annual minimum charge will be prorated.

Schedule No. 2R

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential flat rate service furnished on an annual basis.

TERRITORY

The unincorporated areas known as Big Bear Woodlands Tract, Big Bear Lakewood Tract, Big Bear Pines, Big Bear Pinewoods, Big Bear Park Annex, Big Bear Park, Big Bear Highlands and Camp Fontenelle, near Sugar Loaf Post Office, San Bernardino County.

RATE

	<u>Per Service Connection Per Year</u>
For each residence .....	\$ 48.00

SPECIAL CONDITIONS

1. The above annual flat rate charge applies to service connections not larger than one inch in diameter.
2. The above annual flat rate charge applies to service during the 12-month period commencing March 1, and is due in advance.
3. All service not covered by the above classification will be furnished only on a metered basis.
4. A meter may be installed at option of utility or customer, in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service.
5. For initial service connected after March 1, the annual charge will be prorated.