

ORIGINAL

Decision No. 57918

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of ELSIE WATSON, doing business as )  
BURL WATSON DOMESTIC WATER COMPANY, } Application No. 40281  
for authorization to increase its }  
rates charged for water service. )

Charles W. Drake, consulting engineer, for applicant.  
Richard R. Entwistle and Donald B. Steger for the  
Commission staff.

O P I N I O N

Elsie Watson, an individual, doing business as Burl Watson Domestic Water Company,<sup>1/</sup> by the above-entitled application, filed July 22, 1958, seeks authority to increase rates for water service within a portion of the city of Baldwin Park, Los Angeles County, by the gross annual amount of \$7,930, based on 1958 estimated operations, an over-all increase of 37.2 percent.

Public hearing was held before Examiner Stewart C. Warner on November 25, 1958, at El Monte. Although notices of the hearing were sent to all customers, and newspaper publication of the application was made, no appearances were entered in protest to the granting of the application. However, by a letter to the Commission, dated November 14, 1958, a customer, H. C. O'Dane, protested the proposed increase of water rates.

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<sup>1/</sup> By Decision No. 57764, dated December 30, 1958, in Application No. 40507, the certificate originally granted to Burl L. Watson, dba Burl Watson Domestic Water Company, by Decision No. 38460, seq., was transferred to the applicant herein.

General Information

Elsie Watson is the sole owner of the water system facilities. Her husband, Burl Watson, Sr., was granted a certificate of public convenience and necessity to operate a water system by Decision No. 38460, dated December 10, 1945, in Application No. 26632. Authority to increase rates for water service was granted by Decision No. 45182, dated December 19, 1950, in Application No. 31080, and Decision No. 50784, dated November 23, 1954, in Application No. 35130. Since the death of Mr. Watson Sr. in 1947, his son Burl Watson, Jr., has been managing and operating the system which, as of January 1, 1958, was furnishing water service to 567 general metered service connections and 15 public fire protection service connections within the service area which comprises approximately 220 acres of territory, including two interconnected areas located approximately one-half mile east of the San Gabriel River between Ramona Boulevard on the north of San Bernardino Freeway and Walnut Creek Wash on the south thereof.

Applicant's sources of water supply are three 16-inch diameter wells, each approximately 235 feet deep and equipped with 30-hp deep well turbine pumps, each capable of producing approximately 400 gallons per minute. Water is pumped through four 3000-gallon hydro-pneumatic tanks set to maintain operating pressures of between 45 to 65 pounds per square inch throughout the system. The distribution pipe-line system of 38,735 feet of main, which ranges in size from 1½ to 6-inch diameter, is interconnected and recirculating with few dead ends. The two areas are interconnected by one 6-inch main. One well feeds into the south area and the other two wells feed into the

north area of the system. There are no storage facilities other than the four hydropneumatic tanks which are also used as sand traps. With the exception of approximately 12 business customers and one school, the service generally is residential and the service area is, with the exception of one small area proposed to be subdivided, completely saturated.

Applicant employs her son as general manager and he serves in such capacity in conjunction with his duties for the Burl Watson Realty, Inc., the subdivider of the service area. A lady office clerk-bookkeeper and an outside operating and maintenance man are also employed.

Basis of Application

Applicant based her instant request upon her allegation that authority to increase her present rates was necessary to enable her to meet the rising costs and expenses of furnishing water service to her customers, to enable her to continue rendering the best possible service to her customers, and to enable her to earn a fair and reasonable rate of return on her investment.

In this connection, applicant's general manager testified that certain increases in salaries had been granted during 1958; that electric power pumping costs had increased since 1954 due to electric rate increases granted to Southern California Edison Company; that applicant planned to install two additional hydro-pneumatic storage tanks at its wells Nos. 2 and 4, respectively, in order to provide what he considers to be safer operating pressure maintenance facilities; and that he planned to install a signal call device in the service truck by which contact with such truck could

be made when it was operating in the service area away from the water company office.

This witness also testified that on November 24, 1958, applicant had issued her demand note to the realty company in the amount of \$4,000 purporting to cover the cost to the realty company of the installation of a water system, by the realty company, in Tract No. 14093 in the year 1948. No title to said water system installation nor bill of sale thereof had ever been given to the applicant and such properties were never recorded on applicant's books of account.

#### Rates

Applicant's present rates were established by Decision No. 50784, supra, in 1954. The following tabulation compares the present rates with those proposed in the application and those authorized hereinafter:

#### GENERAL METERED SERVICE

##### Quantity Rates:

	Per Meter Per Month		
	Present	Proposed	Authorized
First 800 cu. ft. or less .....	\$ 1.50	\$ 2.10	\$ 1.60
Next 1,200 cu. ft., per 100 cu. ft. ....	.12	.17	.13
Next 3,000 cu. ft., per 100 cu. ft. ....	.10	.13	.10
Over 5,000 cu. ft., per 100 cu. ft. ....	.07	.09	.07

##### Minimum Charge:

For 5/8 x 3/4-inch meter .....	1.50	2.10	1.60
For 3/4-inch meter .....	2.00	2.60	2.20
For 1-inch meter .....	3.00	4.00	3.25
For 1 1/2-inch meter .....	5.00	7.00	5.50
For 2-inch meter .....	7.50	10.00	8.50
For 3-inch meter .....	14.00	18.00	16.00
For 4-inch meter .....	22.00	30.00	26.00
For 6-inch meter .....	40.00	50.00	50.00

At the present rates, the monthly charge for water consumption of 1500 cubic feet is \$2.34. At the proposed rates such

charge would be \$3.29, an increase of 40.6 percent. At the authorized rates such charge would be \$2.51, an increase of 7.3 percent.

### Earnings

Exhibit No. 1 is a report on applicant's results of operation for the years 1956, 1957, and 1958, submitted by applicant's consulting engineering witness. Exhibit No. 2 is a report on applicant's results of operation for the year 1957 recorded and adjusted, and the year 1958 estimated, at present and proposed rates submitted by staff engineering and accounting witnesses. The following tabulation summarizes the earnings' data contained in Exhibits Nos. 1 and 2:

#### SUMMARY OF EARNINGS

Item	Year 1957		Year 1958 Estimated		
	Recorded Per Co. Ex. 1	Per Co. Ex. 1	Present Rates		Proposed Rates
			Per P.U.C.		Per Co.
			Ex. 2	Ex. 1	Ex. 2
Operating Revenues	\$20,931	\$21,320	\$22,380	\$29,250	\$30,660
Operating Expenses	13,585	19,510	15,760	19,560	15,810
Depreciation	2,442	2,620	2,360	2,620	2,360
Taxes	1,755	2,100	2,450	3,140	4,820
Total Oper. Expenses	\$17,782	\$24,230	\$20,570	\$25,320	\$22,990
Net Revenue	3,149	(2,910)	1,810	3,930	7,670
Rate Base	-	49,130	40,580	49,130	40,580
Rate of Return	-	-	4.46%	8.0%	18.90%

(Red Figure)

Exhibit No. 4 compares Exhibits Nos. 1 and 2 in more detail than as shown in the preceding tabulation.

The principal difference between the applicant's estimates of operating revenues, at present and proposed rates, for the year 1958 and those of the staff is caused by the methods employed to adjust estimated operating revenues for a normal precipitation year. It appears that the staff method is more realistic and is adopted for the purposes of this proceeding.

The principal differences in estimates of operating expenses for the year 1958 occur in transmission and distribution expenses wherein the staff considered the expense of lowering pipe lines for a freeway construction as a nonrecurring expense and therefore excluded it from its estimate, and general expenses wherein the staff included a lesser amount for general and administrative salaries than did the applicant; also less telephone, office rent, and truck maintenance, than did the applicant. Total salaries chargeable to all accounts were estimated by the staff to be \$8,340 as compared to the applicant's estimate of \$9,420. Telephone expense was estimated by the staff based on a \$24 monthly telephone allowance for an individual line business telephone, message units and toll calls. Rent was estimated by the staff on the basis of 10 cents per square foot of office space, plus garage and parking lot. Truck maintenance expense was estimated by the staff on the basis of averaging the last four years' recorded charges therefor after eliminating the expense of tire replacements. The staff estimates of operating expenses appear to be reasonable and are hereby adopted for the purposes of this proceeding.

Applicant's rate base included the capital associated with Tract No. 14093 in the original historical cost amount of \$4,007,

whereas the staff excluded this from its rate base as a contribution in aid of construction. Applicant included in its rate base the estimated capital additions amounting to \$4,000 for the two hydro-pneumatic tanks proposed to be installed during 1959, and the staff excluded such proposed capital cost on the grounds that no such installations had as yet been scheduled as of the date of the hearing of November 25, 1958. Since applicant never recorded the water system installation in Tract No. 14093 on its books, never received title, and never received a bill of sale for the water system therein until applicant decided to issue a demand note in November, 1958, it appears that this item should properly be excluded from the applicant's rate base, the demand note having been issued by the applicant to the realty company, which subdivided and sold the lots to which water service was furnished through the water system installation in said tract; said realty company is owned by applicant and her son, applicant's manager. To now claim for the applicant utility an obligation dating back to 1948 is unreasonable, and such obligation should not and will not be recognized herein for rate-making purposes. As to the proposed hydropneumatic tank installations, the record shows that they would not materially enhance the applicant's storage facilities. Their necessity to assist in the maintenance of stable operating pressures is not apparent in the record and their exclusion from the rate base is a proper one. The staff rate base is hereby adopted as reasonable for the purpose of this proceeding.

#### Findings and Conclusions

After a careful review of the record, the Commission finds as a fact and concludes that the applicant is in need of financial

relief; that the increase in rates proposed in the application is unreasonable; and that the application should be granted in part and denied in part. The order which follows will authorize applicant to file a new schedule of rates which will produce estimated gross annual revenues in the total amount of \$23,395, an increase of \$1,015 over the estimated operating revenues for the year 1958 at present rates, an authorized increase of 4.5 percent. This is \$7,265 less than the increase requested in the application. When total operating expenses of \$20,754 are deducted from the estimated gross revenue, heretofore set forth for the year 1958 estimated, net revenue of \$2,641 will result. When such net revenue is related to the rate base of \$40,580, heretofore adopted as reasonable, a rate of return of 6.51 percent will result. Such rate of return and its components are found as a fact to be just and reasonable.

The Commission further finds as a fact that the rates and charges authorized herein are justified and that present rates insofar as they differ from those herein prescribed will, for the future, be unjust and unreasonable.

#### Service Conditions

The record disclosed no serious deficiencies in service conditions whatsoever. However, as recommended by the staff and required by General Order No. 103, the applicant must keep a record of all complaints to the utility.

### O R D E R

Application as above entitled having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,



IT IS HEREBY ORDERED as follows:

1. That Elsie Watson, doing business as Burl Watson Domestic Water Company, be and she is authorized to file in quadruplicate with the Commission, after the effective date of this order, in accordance with the requirements of 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 water service furnished on and after March 1, 1959.
2. That in all other respects the application be and it is denied.

IT IS HEREBY FURTHER ORDERED as follows:

- (1) That applicant shall, within sixty days after the effective date hereof, file with the Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the principal water production, storage and distribution facilities, and the location of the various water system properties.
- (2) That applicant shall, within sixty days after the effective date hereof, revise the Title Page, Table of Contents, Preliminary Statement, and Service Area Map of its Tariff Schedules in accordance with the provisions of General Order No. 96 to include a corrected description of the territory now served.

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

Dated at Los Angeles, California, this 27<sup>th</sup> day of January, 1959.

E. L. Fox  
President.  
W. L. B. B. B. B.  
W. L. B. B. B. B.  
Theodore J. B. B. B.  
Commissioners

APPENDIX A  
Page 1 of 4

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

A portion of the City of Baldwin Park, Los Angeles County.

RATES

Per Meter  
Per Month

## Quantity Rates:

First	800 cu.ft. or less	.....	\$ 1.60
Next	1,200 cu.ft., per 100 cu.ft.	.....	.13
Next	3,000 cu.ft., per 100 cu.ft.	.....	.10
Over	5,000 cu.ft., per 100 cu.ft.	.....	.07

## Minimum Charge:

For	5/8 x 3/4-inch meter	.....	\$ 1.60
For	3/4-inch meter	.....	2.20
For	1-inch meter	.....	3.25
For	1 1/2-inch meter	.....	5.50
For	2-inch meter	.....	8.50
For	3-inch meter	.....	16.00
For	4-inch meter	.....	26.00
For	6-inch meter	.....	50.00

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

APPENDIX A  
Page 2 of 4 ✓

Schedule No. 5 ✓

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service rendered to fire hydrants owned by the local fire protection districts.

TERRITORY

A portion of the City of Baldwin Park, Los Angeles County.

RATES

	<u>Per Month</u>
For each fire hydrant connected to a main 4-inches in diameter or larger .....	\$1.50
For each fire hydrant connected to a main less than 4 inches in diameter .....	1.00

SPECIAL CONDITIONS

1. The company will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.
2. The customer shall indemnify the company and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the company for any loss or damage resulting from service hereunder.
3. Fire hydrants will be attached to the company's distribution mains for public fire protection only upon receipt of proper resolution passed by the local fire protection district. Said resolution must designate the specific location at which each is to be installed.

APPENDIX A  
Page 3 of 4 ✓

Schedule No. 9FC ✓

CONSTRUCTION AND TANK TRUCK FLAT RATE SERVICE

APPLICABILITY

Applicable to temporary water service rendered on a flat rate basis for street paving, curb and sidewalk construction, and for all water delivered to tank wagons or trucks from fire hydrants or other outlets provided for such purposes.

TERRITORY

A portion of the City of Baldwin Park, Los Angeles County.

RATES

Unit Rates:

For sidewalk construction, per 100 sq.ft. ....	\$0.15
For street curb construction, per 100 lineal ft. ....	.30
For trench settling, per lineal foot of section of trench 2 ft. by 4 ft. ....	.01
For street paving 5 inches thick, per 100 sq.ft. ....	.19
For street paving 6 inches thick, per 100 sq.ft. ....	.22
For sprinkling subgrade of street and roadway construction in application of oil or any form of patented oil paving or surfacing, or for rolling and settling subgrade, per 3,000 sq.ft. of roadway .....	1.60
For water delivered to tank wagon or truck, per 100 gallons .....	.05

Minimum Charge:

	<u>Per Month</u>
For any service under this schedule .....	\$1.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Unit Rates.

APPENDIX A  
Page 4 of 4 ✓

Schedule No. 9FC ✓

CONSTRUCTION AND TANK TRUCK FLAT RATE SERVICE

SPECIAL CONDITIONS

1. Any customer wishing to obtain water deliveries under this schedule must obtain a written permit from the company.
2. In addition, where water is to be obtained from fire hydrants, such permits must first be obtained from the local fire protection district as said district may require.