

ORIGINALDecision No. 58093

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of North Cucamonga
Water Company to increase rates
for water service.

Application No. 40425

Everett L. Clark, for applicant.
Donald B. Steger, for the Commission staff.O P I N I O N

A public hearing was held in this matter at Cucamonga, California, on January 20, 1959, before Examiner Grant E. Syphers.

Applicant's present rates were established by Decision No. 51057, dated February 1, 1955, in Application No. 35323. It now proposes the following increases:

GENERAL METERED SERVICE

Quantity Rates:

		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
First	500 cu. ft. or less	\$ 1.65	\$ 2.50
Next	100 cu. ft., per 100 cu. ft. ..	*	.30
Next	400 cu. ft., per 100 cu. ft. ..	.27	.30
Next	1,000 cu. ft., per 100 cu. ft. ..	.22	.30
Next	3,000 cu. ft., per 100 cu. ft. ..	.16	.25
Next	5,000 cu. ft., per 100 cu. ft. ..	.16	.20
Over	10,000 cu. ft., per 100 cu. ft. ..	.16	.16

Minimum Charge:

For	5/8 x 3/4-inch meter	1.65	2.50
For	3/4-inch meter	2.10	3.10
For	1-inch meter	3.20	4.00
For	1½-inch meter	5.00	7.00
For	2-inch meter	7.50	10.00

* Present Minimum Charge includes 600 cu. ft. or less.

Studies were presented by both the applicant and the staff of this Commission. Both of these studies show that this company has a recorded operating loss for the years 1954, 1955 and 1957. For 1958 estimated the two studies disclose the following results of operations at present rates:

	<u>Company Estimate</u>	<u>Staff Estimate</u>
Operating Revenues	\$ 9,350	\$ 9,480
Operating Expenses	10,621	8,760
Taxes	547	545
Depreciation	650	630
Total Expenses	<u>\$11,818</u>	<u>\$ 9,935</u>
Net Revenue	\$ (2,468)	(455)

(Red Figure)

Based upon this evidence we now find that applicant is in need of rate relief.

Under the proposed rates the studies presented disclose the following estimated results of operation for the year 1958:

	<u>Company Estimate</u>	<u>Staff Estimate</u>
Operating Revenues	\$13,734	\$13,890
Operating Expenses	10,691	8,820
Taxes other than income	610	605
Income taxes	585	1,260
Depreciation	650	630
Total Expenses	<u>\$12,536</u>	<u>\$11,315</u>
Net Revenue	1,198	2,575
Average Depreciated Rate Base	18,833	18,540
Rate of Return	6.36%	13.89%

The principal difference in these two estimates lies in the allowance for salaries and labor. The applicant pays its president \$50 per month, its vice president and manager \$275 per

month, and its secretary-treasurer \$75 per month. In addition to this it hires a laborer at an hourly rate of \$1.25 per hour, and payments to this employee have averaged about \$15 per month. The company estimates that these labor payments will increase in the future. However, upon the basis of present payments the company is paying approximately \$415 per month for salaries and labor.

Opposed to this, the staff recommended an allowance of \$282 per month which is based upon an allowance of \$1 per month per customer.

The testimony shows that the president of this company does not spend any regular time in working therefor but serves principally as a consultant. The general manager spends approximately 48 hours in field work and about 10 hours office time per month. He also receives mileage for the use of his automobile. The secretary keeps the books, and files the necessary government reports. The extra labor at \$1.25 per hour is hired only when necessary.

It was the position of applicant that these payroll expenses were necessary in the operation of the water company. By Decision No. 51057, supra, this Commission adopted a figure of \$1 per consumer per month for payroll expenses for this same company. Applicant contended that if such a figure were reasonable in 1955, an increased allowance is now necessary inasmuch as costs have increased.

We are aware that the staff's study endeavored to make an allowance comparable to the expenses of other companies. However,

the testimony shows that the only company used for comparison purposes had twice as many consumers as applicant. The payroll expense of each company is an individual problem and the company must pay the salaries and wages necessary to secure reasonable services. Comparison based upon the expense per consumer per month or comparison with the expenses of other companies may serve as guides to what is reasonable, but in and of themselves they cannot comprise the ultimate test.

In the instant proceeding there is an issue as to whether or not the salaries paid to the officers of this company are allowable expenses since the record discloses that the combined total time spent by all of them is no more than 65 hours per month. There appears to be no question from this record that the part-time labor hired at \$1.25 per hour is necessary and the rate paid is not unreasonable.

The applicant offered insufficient justification for the salaries it is paying its own officers and did not assume its burden of proof that such amounts are reasonable. We are however aware of the other increased costs the applicant has experienced and that both its own estimates and the staff's indicate losses at present rates. We will therefore adopt an amount of \$9,420 for operating expenses which we find as reasonable in this instance.

One other item of difference is to be found in the fact that the applicant made an allowance of \$501.42 in its capital account for a desk, two chairs and other items of furniture which are located at the home of applicant's president. This furniture does not appear to be used or useful in the operation of the water company, and accordingly will not be allowed in the rate base.

It should be noted that this applicant purchases all of its water from the Cucamonga County Water District. It maintains no well, pumps, or appurtenant equipment, and there is no work in progress. The average number of consumers in this system for the year 1958 was 281. This number has remained fairly constant for several years last past.

From a review of all of the evidence herein we find that applicant is in need of financial relief. However, in the ensuing order we will not grant the amount of relief sought, but will make some allowance because of the operating expenses as hereinbefore discussed. The rates hereinafter authorized will provide for a rate of return of approximately 8 percent on a rate base of \$18,540, which rate of return we find to be reasonable.

It is hereby found that the increases in rates and charges authorized herein are justified, and that the present rates, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

The evidence disclosed that the applicant company is not keeping a record of customer complaints as required by General Order No. 103. It will be directed to do so herein.

O R D E R

Application as above entitled having been filed, public hearing having been held, and the Commission having made the foregoing findings,

IT IS ORDERED:

(1) That applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with General Order No. 96, the schedule of rates shown

in Appendix A attached hereto, and upon not less than five days' notice to the Commission and to the public to make such rates effective for service rendered on and after May 1, 1959.

(2) That applicant shall, within sixty days after the effective date of this order, file four copies of a comprehensive map drawn to an indicated scale not smaller than 500 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the location of the metered sources of supply, the water distribution facilities, valves and fire hydrants.

(3) That applicant shall institute and maintain a record of all customer complaints to the utility as required by General Order No. 103.

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

Dated at San Francisco, California, this 10th day of March, 1959.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated communities of West Cucamonga and North Cucamonga and vicinity, San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 cu.ft. or less	\$ 2.25
Next 1,500 cu.ft., per 100 cu.ft.30
Next 3,000 cu.ft., per 100 cu.ft.20
Next 5,000 cu.ft., per 100 cu.ft.18
Over 10,000 cu.ft., per 100 cu.ft.16
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.25
For 3/4-inch meter	3.15
For 1-inch meter	5.00
For 1-1/2-inch meter	7.50
For 2-inch meter	13.00

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