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Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of MALCOLM C. GAULD, doing business as RUBIDOUX VISTA WATER SYSTEM, for authorization to increase its rates charged for water service.

Application No. 40696

Charles W. Drake, for applicant.  
Gordon Shore, for W. P. White and Dr. Mack D. Smith, protestants.  
Chester I. Sime, for Rubidoux Fire Department, and Jess Y. Yoden, interested parties.  
Donald B. Steger, for the Commission staff.

O P I N I O N

M. C. Gauld, an individual, doing business as Rubidoux Vista Water System, by the above-entitled application filed on December 22, 1958, seeks authority to increase his general metered rates for domestic water throughout the company's service area located in unincorporated territory in Riverside County, and to cancel his filed flat rate tariff.

Public hearings on the application were held before Examiner Kent C. Rogers in Riverside on May 5, 1959, and in Los Angeles on May 11, 1959. Prior to the first day of hearing, notice thereof was mailed to each consumer and published as required by this Commission. A representative of the Rubidoux Fire Department appeared as an interested party and requested that applicant install fire hydrants. Applicant objected on the ground of lack of funds and inadequacy of mains. This Commission has no rule requiring the

installation of fire hydrants. This appears to be a matter of agreement between the water company and the authorities of any municipality concerned.

Applicant was granted a certificate of public convenience and necessity to operate a public utility water system by this Commission's Decision No. 42417, dated January 12, 1949, in Application No. 29747. The existing water rates were established by Decision No. 46756, dated February 13, 1952, in Application No. 32795. In January 1952 there were 176 active service connections. As of May 5, 1959, there were 220 active service connections, all metered, in the authorized service area comprising 294 lots in approximately 94 acres of land. A map showing the service area, the location of applicant's two pumping plants, and the distribution system, was filed at the hearing as Exhibit No. 3. The largest main is 3 inches in diameter, the majority are 2 inches, and some are 1½ inches.

When Decision No. 46756 was considered, the Commission noted that the applicant testified he intended to improve the system by, among other things, installing a 4½-inch main in Daly Avenue between the two pumping plants (see Exhibit No. 3), and south to Mission Boulevard. The Commission stated this would improve service conditions by providing a greater volume of water for the east and west lateral pipe lines throughout the area. The 4½-inch main on Daly Avenue would cost approximately \$1,900 to \$2,300. Applicant stated that he was financially unable to make the improvements at the present rates, and was keeping the company going by putting in \$50 per month out of his own pocket. The Commission stated relative thereto that "it may be noted that applicant has kept no regular

"books of account, either operating revenues or operating expenses, or capital accounts, and it appears that most of his revenue received, except for payment of power bills and out-of-pocket expenses of operation, was utilized to purchase new pipe and meters and to pay off a loan of \$5,000 obtained prior to 1949, the proceeds of which were used to purchase new pumping equipment for well No. 1 and other capital expenditures."

At that hearing there were protests by consumers who lived along and adjacent to Crestmore Road (the eastern edge of the service area) regarding low pressures and inadequacy of water supply during periods of peak demand, and who, the record showed, may not substantially or adequately benefit from applicant's proposed immediate capital improvements along Daly Avenue (the 4½-inch proposed line). The Commission stated that applicant should, as soon as financially able, consider plans to increase the pressures in, and the amounts of water deliverable to, that particular part of the service area.

The order of Decision No. 46756, supra, failed to specify the improvements to be made, simply stating that "applicant shall, within a reasonable length of time, make all necessary improvements to the system in order to render adequate public utility water service."

Between the date of Decision No. 46756, supra, and the date of the hearing hereon, applicant made some improvements in his system. These consisted of the replacement in 1958 of a 500-gallon pressure tank at well No. 1 with a 3,000-gallon tank, the installation in 1958 of 300 feet of 3-inch transite main on Daly Avenue between the two wells, and a fence around plant No. 1. The

applicant testified that these replacements cost about \$2,000 which he borrowed. He will, he said, from now on do what the Commission advises him to do in order to comply with General Order No. 103.

A consumer residing on the west side of Daly Avenue directly across from plant No. 1 testified that he now gets several buckets full of dirty water from the cold water tap before he can get clean water. His next-door neighbor presented a petition (Exhibit No. 9) containing approximately 170 names (including some husbands and wives) objecting to any increase in rates because of the condition of the water system and the amount of water received. A consumer living near the end of one of the non-circulating lines (36th Street) stated that she was getting dirty water.

The staff pointed out that there are some very low pressures (Exhibit No. 10); that the distribution mains are undersized and inadequate; that there are long, non-circulating mains (Exhibit No. 3); and that improvements promised at the last hearing have not been made.

The applicant herein has been in business for over 10 years, subject to regulation by this Commission. In the exercise of its jurisdiction the Commission makes rules and regulations relative to the services rendered by water companies. In 1952 applicant was given a rate increase. He testified then that he intended to make certain improvements. Apparently no improvements were made until 1958 when some improvements, substantially less than those promised, were made. In the meantime, the consumers continued to get poor service, and, from the evidence presented at the hearing herein, still receive inadequate service.

While the applicant would have the Commission believe that he is losing and will lose money unless an increase in rates is granted,<sup>1/</sup> the staff's estimates show otherwise (Exhibit No. 5). According to the staff's estimate, the applicant's adjusted results of operations for the year 1958 are as follows:

<u>Item</u>	
Operating Revenues	\$ 7,900
<u>Operating Expenses</u>	
Source of Water Supply Expenses	30
Power and Pumping Expenses	1,370
Transmission & Distribution Expenses	785
Customer Acct. and Collection Expenses	1,605
General Expenses	<u>1,755</u>
Total	5,545
Taxes Other Than Income	370
Taxes Based on Income	<u>220</u>
Total	590
Depreciation	<u>910</u>
Total Operating Expense	7,045
Net Revenues	855
Average Depreciated Rate Base	17,990
Rate of Return	4.75% <sup>2/</sup>

In our opinion, the return of 4.75 percent in 1958 for the service being rendered is adequate. When and if the applicant improves his service by improving the system as promised in 1952, by altering the system so it permits circulation or flushing, and by replacing rusty lines, if any, a new application for a rate increase may be in order.

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<sup>1/</sup> Exhibit No. 4.

<sup>2/</sup> Rate of return for 1959 estimated to be 5.03% at present rates (Exhibit No. 5).

The present application for authorization to cancel flat rate tariffs will be granted and in all other respects the application will be denied.

O R D E R

An application having been filed, public hearings having been held thereon, the Commission having found that the rate of return is adequate in the circumstances existing and that the rate increase should be denied, and based upon such finding,

IT IS ORDERED that:

(1) On the effective date of this order applicant's presently filed Schedule No. 1, Flat Rates, will cease to be effective and thereupon will be cancelled.

(2) In all other respects the application herein be, and it hereby is, denied.

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

Dated at San Francisco, California, this 29<sup>th</sup> day of June, 1959.

[Signature]  
President

[Signature]

[Signature]  
Commissioners