

ORIGINAL

Decision No. 44239

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of the Lone Pine Water Company for
an order authorizing an increase in
rates.

Application No. 30896

E. S. Rowan, Manager, and W. S. Vrooman,
Engineer, for applicant; Ralph Temperly,
for Lone Pine Chamber of Commerce; and
W. J. Bauer, for Lone Pine Union High
School District and Lo-Inyo Union
Elementary School District.

O P I N I O N

Lone Pine Water Company, a corporation, by the above-entitled application filed December 30, 1949, requests an order of the Commission authorizing an increase in water rates to customers located in the unincorporated town of Lone Pine, Inyo County, California. A copy of the proposed rates is attached to the application and marked Exhibit "B." A public hearing on this application was held before Examiner Edwards on May 11, 1950, at Whitney Theater in Lone Pine, California. At this hearing, applicant submitted evidence as to the need for the requested rate increase.

Applicant requests authority to increase the present basic flat rate on a residence from \$2 to \$2.50 per month; to make increases of from 25 cents to \$1 per month in 17 other categories of flat rates; and to increase the fire hydrant rental rate from \$1 to \$1.50 per month. No increase in the meter rates is requested.

The Lone Pine Water Company obtains its water supply by gravity from Lone Pine Creek. The utility has a first right to 30 miner's inches of flow in the creek and diverts approximately one-fifth of the total normal flow into its distribution system. After passing over a sand trap, the water taken by applicant passes through screens into a settling and desilting basin before entering the transmission pipe line. The transmission line is over a mile long and varies from 16 inches to 6 inches in diameter. The distribution system serves approximately 355 customers through some 6 miles of distribution mains, which vary from 6 inches to 1 inch in diameter.

Applicant's manager testified to the need for an increase in water rates. Net earnings have dropped this past year to the point where company's credit position has been reduced to the extent that capital to extend and improve the service cannot be attracted. The cost of local superintendence and labor has approximately doubled since the end of the war. Management expenses also have doubled in this period. Rates are still at the 1940 level. Dividends on the common stock have been suspended.

The effect of the proposed rates was analyzed by a Commission staff engineer, E. R. Foster. His report submitted at the hearing, admitted in evidence as Exhibit No. 1, shows that in 1949 the proposed rates would have increased the rate of return from 6.33% to 16.07%, and in 1950 from an estimated 5.16% to 14.09%. The summary of earnings, rate base, and rate of return, as testified to by the staff engineer, are as follows:

Years 1949 Recorded and Adjusted and 1950 Estimated					
Item	Year 1949			1950 Estimated	
	Recorded at Present Rates	Adjusted at Present Rates	Estimated at Proposed Rates	At Pres- ent Rates	At Pro- posed Rates
Operating Revenues	\$ 11,799.21	\$ 11,799	\$ 15,368	\$ 12,770	\$ 16,663
<u>Operating Expenses</u>					
Operating & Maint.	5,103.17	4,469	4,469	5,135	5,135
General & Misc.	2,903.48	2,837	2,837	3,050	3,050
Uncollectibles	-	30	30	30	30
Taxes	1,263.50	1,427	2,303	1,399	2,358
Depreciation (S.L.)	1,328.41	1,287	1,287	1,460	1,460
Total Oper. Exp.	10,598.56	10,050	10,926	11,074	12,033
Net Operating Revenue	1,200.65	1,749	4,442	1,696	4,630
Avg. Deprec. Rate Base	27,650.00 ^a	27,650	27,650	32,850	32,850
Rate of Return	4.34%	6.33%	16.07%	5.16%	14.09%

a CPUC staff rate base.

The above computation was predicated on the use of straight-line depreciation and a depreciated rate base. The staff engineer also computed the rate of return using a nondepreciated rate base and sinking fund depreciation annuity. On an undepreciated rate base of \$45,300 in 1949, the proposed rates would have increased the rate of return from 5.24% to 11.19%; and on \$51,850 in 1950, from 4.68% to 10.34%.

Applicant's projection of anticipated revenues and expenses for 1950, based on the proposed rates, were as follows:

Revenue	\$14,612
Expenses, including taxes	11,553
Net for return	3,059

This estimate differs from the finding of the staff engineer principally because the actual increase under the proposed rates was found to be greater than estimated by the manager.

At the hearing, interest in the proposed rate increase was manifested by several customers, some of whom presented statements for the record. The schools' representative is opposed to any increase at the high school, but is not opposed to a reasonable increase at the elementary school. The Chamber of Commerce is agreeable to the proposed increase if the company's plans to improve the quality of the water is followed through. Two domestic consumers complained about the condition of the water during heavy runoff months when there is sand, silt, and fine vegetable matter in the water. If the rate is increased, these customers desire to be assured of good water.

Applicant's manager replied to these statements. He asked that there be no increase at the high school. The utility will withdraw its rate increase request in case it cannot obtain capital to make improvements. Plans call for a new settling basin where water is diverted from the creek, and for replacement of 1,000 feet of 4-inch main. The estimated net cost of these improvements is \$10,000. This work must be completed by the end of October because of possible interference from early winter snowfall. He asked for prompt action on the rate increase request.

The manager also questioned the staff engineer's recommendation that a 6½% return should be adequate for this utility. Rather than look at this problem on a percentage basis of return, the manager stated a minimum of \$3,000 net for return is necessary in order to attract capital in the amount sought from lending institutions or from the customers to redeem the loan over a ten-year period. The manager had explained his problem to the local members of the Chamber of Commerce, and because of the difficulty of financing the

new improvements, none particularly opposed the company's requested rate increase.

As part of his testimony, the staff engineer also recommended certain changes in the flat rate schedule to bring it up to date and to conform with the company's practice and policy, as well as to eliminate inequalities. He further recommended a revision of the monthly minimum charges under the meter rate.

In analyzing the record in this proceeding and in reaching a conclusion as to the rates for the future, the statements of the customers, as well as applicant's earning position, have been given due consideration. Applicant needs some increase in revenues if it is to improve its credit rating to a point where capital will be attracted to make the needed improvements and new extensions, but not to the full extent sought. Applicant's proposed rates would result in an increase of an estimated \$3,893 at the 1950 level of business. From the evidence presented at the hearing and in applicant's statement filed May 16, 1950, we are of the opinion that an increase of \$1,660 will meet the added financial burden and will bring the rate of return up to approximately 6½% after fully reflecting the capital addition in rate base and expenses associated with the improvements.

O R D E R

Lone Pine Water Company having applied to this Commission for an order authorizing increases in water rates and charges, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herewith are justified; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant 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 Exhibit A attached hereto and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after July 1, 1950.
2. Applicant, within forty (40) days from the effective date of this order shall file with this Commission four sets of rules and regulations governing customer relations, each set of which shall contain a suitable map or sketch drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon by distinctive markings the boundary of applicant's present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or portion thereof.
3. Applicant, within forty (40) days after the effective date of this order, shall file four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of various properties of applicant.

IT IS HEREBY FURTHER ORDERED that applicant shall install a settling basin, such improvement to be completed and ready for operation by November 1, 1950. In the event that applicant cannot obtain the necessary capital loans to install this improvement

starting September 1, 1950, or before, applicant shall forthwith refile the schedule of rates at the present level.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 26th day of May, 1950.

R. E. Anderson
Justin D. Cassen
Robert F. Cullen
Harold A. Hill
Herbert Potter
Commissioners.

Schedule No. 1

GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all unmeasured water service rendered to residential, commercial, and other consumers, except primarily for fire protection service.

TERRITORY

Within the utility's entire service area in the vicinity of the unincorporated town of Lone Pine in Inyo County.

RATES

Classification:	<u>Per Service Per Month</u>
1. For single family dwelling on a lot not exceeding 50' x 150'.	\$2.20
2. For each additional separate residence on same premises	1.30
3. Housekeeping apartments, each apartment	1.75
4. Multiple family dwellings, each residence unit.....	1.75
5. Additional for bath tubs (or showers) or toilets in excess of one of each per unit in Classifications 1 to 4, inclusive each such fixture30
6. For additional lots or separate lots not occupied by buildings or other structures, not in excess of 50' x 150', when actually irrigated, each	1.50
7. Automobile service stations, or garages, each	2.75
Additional for wash racks, each	1.25
8. Bakeries or confectioneries	3.00
9. Barber or beauty shops, with two chairs or booths, or less...	2.25
For additional chairs or booths, each30
10. Billiards and pool halls	2.25
11. Clubs, library, lodges, or jail	1.25
12. Dentists' offices, each	3.00
13. Doctors' offices, each	1.75
14. Hospitals, hotels, motels or trailer parks:	
Central laundry facilities, according to use of water	2.00 to 5.00
Manager's residence or apartment	2.25
Bath tubs (or showers) or toilets, for general use, each such fixture75
Bath tubs (or showers) or toilets in private rooms, each such fixture20
15. Laundries, according to use of water	5.75 to 11.50
16. Lumber yards	3.00
17. Restaurants, cafes or coffee shops, according to size and use of water	3.50 to 7.00
18. Retail markets, shops, drug stores, motion picture houses, or other business establishments not otherwise listed, according to use of water	1.75 to 3.50
19. Soda fountains or bars, in connection with any other business, each	1.25
20. Ice factory, according to use of water	3.00 to 10.00
21. Lo-Inyo Elementary School	27.50
22. Lone Pine Union High School	62.50

Schedule No. 2

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

Within the utility's entire service area in the vicinity of the unincorporated town of Lone Pine in Inyo County.

RATES

Quantity Charge:	Per Meter Per Month
First 1,000 cubic feet or less	\$2.00
Next 9,000 cubic feet, per 100 cubic feet15
All over 10,000 cubic feet, per 100 cubic feet12

Minimum Charge:

For 5/8-inch meter	2.00
For 3/4-inch meter	3.00
For 1-inch meter	4.50
For 1 1/2-inch meter	9.00
For 2-inch meter	15.00
For 3-inch meter	25.00

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

SPECIAL CONDITION

A meter may be installed on any service at the option of either the consumer or the utility; provided, however, that when an applicant or consumer has exercised his option for metered service, such applicant or consumer must agree, while he remains a consumer, to accept service at the applicable meter rates for a period of at least twelve (12) consecutive months.

Schedule No. 3

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service rendered to fire hydrants furnished, installed, and owned by the local Fire Protection District.

TERRITORY

Within the utility's entire service area in the vicinity of the unincorporated town of Lone Pine in Inyo County.

RATES

Per Month

For each fire hydrant connected to the utility's distribution system:

On mains less than 4-inch diameter	\$0.90
On mains 4-inch diameter and larger	1.15

SPECIAL CONDITIONS

1. Fire hydrants will be attached to the utility'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.

2. The foregoing charge for water service to fire hydrants is based on the understanding that they are to be owned by the local Fire Protection District and are to be installed, maintained, painted, inspected, and relocated at the expense of the district.