

ORIGINALDecision No. 49448

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of IDYLLWILD WATER COMPANY,)
 a corporation, to increase rates for)
 water service at Idyllwild, Riverside)
 County (P. U. Code 454).)

Application No. 34494

Gerald E. Johnson, president and general
 manager, Everett L. Clark, consulting
 engineer, and John A. Paul, auditor,
 for applicant.

Jesse Brown, Commissioner, for Idyllwild
 Fire Protection District, and Mrs. Hazel
 Cress, in propria persona, protestants
 to fire hydrant rates.

S. D. and Esther W. Overholtzer and
Mrs. Betty Barksdale, in propria per-
 sonae, protestants.

Hunter McConnell, Sr., Mrs. Alvasina Nolan,
Carroll Vogelaar, Ernest Maxwell,
W. E. Taylor and Harold Holmes, in pro-
 pria personae, interested parties.

Roy E. Sutherland and Harold Grondahl, Jr.,
 for the Commission staff.

O P I N I O N

Idyllwild Water Company, a corporation, by the above-
 entitled application filed June 29, 1953, seeks authority to increase
 rates for water service at Idyllwild, Riverside County.

A public hearing in this matter was held before Examiner
 Stewart C. Warner on December 2, 1953, at Idyllwild.

General Information

Applicant furnishes water service to about 520 consumers in
 and about the unincorporated mountain resort community of Idyllwild
 in the San Jacinto Mountains. Its authorized service area comprises
 about 1,000 acres, and elevation of the water system ranges from
 5,100 to 5,600 feet.

Applicant's sources of water supply comprise a watershed supplying Lilly and Strawberry Creeks, and three wells located in the vicinity of Foster Dam, an impounding reservoir on Lilly Creek. The water from these sources is transmitted to two storage tanks of 80,000 and 75,000 gallons capacity and is then distributed by gravity through 69,500 lineal feet of mains ranging from 1 to 6 inches in diameter. A 15,000-gallon storage tank is maintained for fire protection reserve.

Exhibit No. 1 filed at the hearing is a map of applicant's service area, showing the location of water system facilities. As of the date of the hearing, 376 consumers were metered and 144 services were flat rate. A total of 58 fire hydrants were connected to the system.

Rates

Applicant's present rates were established by Decision No. 37679, dated February 9, 1945, in Application No. 25989, and have been in effect since April 1, 1945.

Applicant alleged in its application that a general increase in rates was necessary to meet operating expenses, including depreciation and taxes, and to provide a fair rate of return

upon its investment. The following tabulation is a comparison of present and proposed annual rates:

<u>GENERAL METERED SERVICE</u>	<u>Per Meter Per Calendar Year</u>	
	<u>Present</u>	<u>Proposed</u>
Quantity Rates:		
First 3,600 cu.ft., per 100 cu.ft.	\$ 0.48	\$ -
Next 1,400 cu.ft., per 100 cu.ft.	.30	-
Next 5,000 cu.ft., per 100 cu.ft.	.22	-
Next 5,000 cu.ft., per 100 cu.ft.	.15	-
Over 15,000 cu.ft., per 100 cu.ft.	.10	-
First 3,000 cu.ft. or less		30.00
Next 5,000 cu.ft., per 100 cu.ft.		.30
Next 6,000 cu.ft., per 100 cu.ft.		.15
Over 14,000 cu.ft., per 100 cu.ft.		.10
Minimum Charge:		
For 5/8 x 3/4-inch meter	18.00	30.00
For 3/4-inch meter	22.50	36.00
For 1-inch meter	27.00	42.00
For 1 1/2-inch meter	36.00	51.00
For 2-inch meter	54.00	72.00

<u>FLAT RATE SERVICE</u>	<u>Per Unit Per Calendar Year</u>	
For each residence, building or dwelling, boarding house, apartment or cabin, of six rooms or less, and for each store, shop or office	\$18.00	\$30.00
Laundries	36.00	-
Restaurants, eating houses, service stations and garages	27.00	-
Auto courts or camps:		
For each apartment or room with running water	4.50	7.50
For each public toilet	4.50	7.50
For each public bathtub or shower .	4.50	7.50
Increases in flat rates for construction use are also proposed.		
For other classifications, applicant proposed that its General Metered Service rates should be applicable.		

<u>FIRE HYDRANT SERVICE</u>	<u>Per Hydrant Per Year</u>	
For each 1 1/2-inch single outlet hydrant ...	None	\$12.00
For each 2 1/2-inch single outlet hydrant ...	None	18.00
For each 2 1/2-inch double outlet hydrant ...	None	30.00

Applicant also proposed that meters should be read twice annually, on March 31 and September 30, rather than as of January 1

according to its present practice, upon which to base semiannual billings for water consumptions over those allowed for the minimum meter charges.

Applicant's witness testified that 50 per cent of the consumers utilized 2,000 cubic feet or less of water per year and required 7.2 per cent of the water supplied. He also testified that 50 per cent of the water was utilized by consumers falling below annual consumption of 32,000 to 33,000 cubic feet. Since many of the consumers are week-enders or summer vacationists, the typical effect of applicant's proposed rates would be to increase the present rate from \$18 per year, or \$1.50 per month, to \$30 per year, or \$2.50 per month.

Earnings

Paragraph 12 on page 5 of the application includes a summary of applicant's estimated normalized results of operation under its present and proposed rates. However, applicant's witness, in his testimony, corrected and revised the estimated earnings under proposed rates shown in the application. Exhibit No. 4, a report on applicant's results of operation, was submitted at the hearing by Commission staff accounting and engineering witnesses.

The earnings information for the year 1952 recorded and adjusted, and for the year 1953 estimated at present and proposed

rates, of record in the proceeding, is summarized in the following tabulation:

SUMMARY OF EARNINGS

Item	Year 1952		Year 1953 Estimated		
	Recorded: per Co. Appl'n	Adjusted: per PUC Exh. 4	Present Rates Per PUC	Proposed Rates Exh. 4	Proposed Rates per Co. witness:
Operating Revenue	\$12,598	\$12,598	\$12,799	\$20,656	\$19,844
Operating Expenses	7,368	5,303	6,081	6,105	10,778
Taxes	736	1,376	1,364	3,942	2,070
Depreciation	3,528	2,589	2,732	2,732	3,120
Total Oper. Exp.	11,632	9,268	10,177	12,779	15,968
Net Revenue	966	3,330	2,622	7,877	3,876
Av. Depreciated Rate Base	*	86,009#	90,076#	90,076#	87,063
Rate of Return	*	3.87%	2.91%	8.74%	4.45%

* Not shown.

Includes \$2,150 of capital expenditures charged to operating expenses during 1952, transferred from operating expenses to capital.

No substantial difference between applicant's showing of estimated revenues and the staff's showing thereof is evident.

The Commission staff engineer testified that his estimate of operating expenses was based on a projection of actual 1953 operations except that he had transferred \$2,150 from operating expense to capital for the year 1952 adjusted, and had carried that adjustment forward into the year 1953 estimated.

The Commission staff witness further testified that he had recalculated the annual depreciation accrual according to the straight-line remaining life method. He determined that a composite annual straight-line remaining life depreciation rate of 2.13 per cent was applicable.

Applicant's witness testified that he had included in his estimate of 1953 operating expenses certain costs of service, as shown in paragraph 8, page 3 of the application. These amounted to \$3,260, and are detailed as follows: Use of a pickup truck owned by

Idyllwild All Year Resort but used on the water system only (depreciation expense per year), \$450; office and office equipment rental \$600; telephone service \$120; insurance premiums \$90; directors' fees (two directors, four meetings per year) \$200; and salary^{1/} for the president and general manager of \$150 per month, or \$1,800 per year. He also included in his 1953 estimate an item for amortization of the instant rate proceeding, over a four-year period, of \$200 per year. The inclusion by applicant's witness in his 1953 estimate of the above-enumerated operating expenses appears to be reasonable and their amounts do not appear to be excessive. They will be included hereinafter in the final rate of return determination.

Applicant's witness also testified that the Riverside County Health Department had ordered the company immediately to install chlorinating equipment and to cover the 75,000-gallon storage tank. The cost of this work was estimated by applicant to be \$4,800. Applicant also proposed to drill and equip a new well at a cost of \$5,000; to install 3,800 feet of 4-inch pipeline at a cost of \$4,800; and to install 100 meters, which he testified were on order, at a cost of \$3,400. The total cost of the estimated additions to fixed capital budgeted by applicant was \$18,000. While the Commission staff witness included estimated additions to fixed capital of \$10,600, it appears that in order to meet complaints by consumers of rusty water, and to more nearly completely meter the water system, applicant's total estimated fixed capital additions are reasonably required. Their inclusion in the estimated rate base for the year 1953 in average amounts will be adopted in the final determination of the rate of return for this proceeding.

^{1/} The record shows that in the past no management salaries have been charged to operating expense.

Service Matters and Consumers' Appearances

The record shows that notices of the hearing in this matter were sent to all consumers and published twice in a newspaper of general circulation in the area. Several consumers appeared and complained of rusty water and protested the proposed increases in flat and general metered service rates. The Idyllwild Fire Protection District and a taxpayer, who was not a consumer but was an owner of property in the fire protection district, protested the establishment of a fire hydrant rate. Two consumers appeared and supported the application in the community interest.

Conclusion

It is evident that applicant is in need of financial relief. An average depreciated rate base of \$93,800 for the year 1953, which includes applicant's estimated capital improvements, together with the adjustments hereinbefore outlined, is hereby adopted. Applicant will be authorized by the order which follows to file rates substantially as it proposed. When estimated operating revenues of \$20,700 and estimated operating expenses of \$15,000^{2/} are related, net operating revenues of \$5,700 will result. Such net operating revenues will produce a rate of return of about 6 per cent on the rate base adopted herein. This is found to be a just and reasonable rate of return for the purposes of this proceeding.

The rate base adopted in this opinion includes full allowance for applicant's estimated capital improvements during 1953, including installation of 100 additional meters, and the rates

^{2/} Total estimated operating expenses of \$15,000 include those additional service costs adduced by applicant's witness and outlined hereinbefore.

authorized contemplate that such improvements and meters will be installed. Applicant is placed upon notice that the continued collection of the higher rates herein established is conditioned upon the completion of the installations during 1954. Applicant will be directed to file reports every ninety days indicating its progress in effecting the additions to fixed capital as outlined by its president in the record in this proceeding. In the event the installations are not effected during 1954, we will consider reopening this proceeding and reexamining the rate structure in the light of conditions then prevailing and making such further order with respect to rates as may appear to be proper.

Applicant's proposal to establish a fire hydrant rate appears to be reasonable, particularly in view of the fire protection service required in this mountain community.

The proposal by applicant to practice semiannual meter readings and billings based thereon also appears to be reasonable and will be approved by the order which follows.

O R D E R

An 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 FOUND AS A FACT 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 unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

- 1.a. Applicant 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 February 1, 1954.

- b. Applicant's proposal to read meters twice annually, on March 31 and September 30, or within three days of said dates, be and it is approved.
 - c. Within thirty days after the effective date of this order, applicant shall file with this Commission four sets of rules and regulations governing consumer relations, together with four copies of a tariff service area map acceptable to the Commission.
2. Applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, applicant shall review such accruals when major changes in 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.
 3. Applicant shall file in writing with this Commission within ninety days after the effective date of this order, and every ninety days thereafter until completed, a report of its progress in completing the additions to fixed capital referred to in the preceding opinion.

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

Dated at San Francisco, California, this 21st day of December, 1953.

R. B. Anderson
President

Justice J. C. Wheeler

Wm. H. Patten

J. L. McMillin

Gene Higgins
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

In and in the vicinity of the unincorporated community of Idyllwild, Riverside County.

RATES

	<u>Per Meter</u> <u>Per Year</u>
Quantity Rates:	
First 3,000 cu.ft. or less	\$30.00
Next 5,000 cu.ft., per 100 cu.ft.30
Next 6,000 cu.ft., per 100 cu.ft.15
Over 14,000 cu.ft., per 100 cu.ft.10
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$30.00
For 3/4-inch meter	36.00
For 1-inch meter	45.00
For 1 1/2-inch meter	60.00
For 2-inch meter	84.00

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

SPECIAL CONDITIONS

1. The annual minimum charge for the calendar year, January 1 to December 31, shall be due and payable on or before April 1 of the year in which service will be rendered.
2. Additional charges for water used, in excess of the quantity to which the consumer is entitled by payment of the annual minimum charge, will be based upon readings of meters twice annually, on March 31 and September 30 or within three days of said dates, and bills for such additional charges are payable upon presentation thereof.

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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmetered water service except fire hydrant service.

TERRITORY

In and in the vicinity of the unincorporated community of Idyllwild, Riverside County.

RATES

	<u>Per Unit</u> <u>Per Year</u>
1. For each residence, building, dwelling, boarding house, apartment, or cabin of six rooms or less	\$30.00
2. For stores, shops and offices	30.00
3. For auto courts or camps:	
Apartments or rooms with running water	7.50
Public toilets	7.50
Public bathtubs or showers	7.50
4. For construction use:	<u>Per Job</u>
Minimum per water connection	\$ 1.00
For mass concrete, stone work, plastering, brick or other work using lime or cement, per sack of cement or barrel of lime25
For settling backfill in pipe or sewer trenches, 100 feet	1.00

SPECIAL CONDITIONS

1. The annual flat rate charge for the calendar year, January 1 to December 31, shall be due and payable on or before April 1 of the year in which service will be rendered.
2. Charges for water used for construction purposes shall be due and payable upon presentation of bills therefor.
3. Water service to any classification not included in the above will be rendered under Schedule No. 1, General Metered Service.

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service rendered to Idyllwild Fire Protection District or other similar organization.

TERRITORY

In and in the vicinity of the unincorporated community of Idyllwild, Riverside County.

RATES

	<u>Per Hydrant Per Year</u>
For 1 $\frac{1}{2}$ -inch single outlet hydrants	\$12.00
For 2 $\frac{1}{2}$ -inch single outlet hydrants	18.00
For 2 $\frac{1}{2}$ -inch double outlet hydrants	30.00

SPECIAL CONDITION

1. Charges for the calendar year, January 1 to December 31, shall be due and payable on or before April 1 of the year in which service will be rendered.