

ORIGINALDecision No. 51694

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 YERBA BUENA WATER COMPANY, a corpo-) Application No. 35887
 ration, for authority to increase)
 its rates.)

Trippet, Newcomer, Yoakum & Thomas, by
 . Frank B. Yoakum, Jr., for applicant.
Charles W. Drake, for the Commission
 staff.

O P I N I O N

Yerba Buena Water Company, a corporation, by the above-entitled application filed October 22, 1954, as amended May 11, 1955, seeks authority to increase rates by approximately \$4,600 for water service in unincorporated territory, Ventura County, about 18 miles west of Malibu.

A public hearing in this matter was held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner on June 2, 1955, at Malibu.

General Information

Applicant was granted a certificate of public convenience and necessity, rates were established, and authority was granted to issue and sell stock by Decision No. 40950, dated November 19, 1947, in Application No. 28777. The certificated area comprises approximately 25 acres, including 38 lots along the ocean or south side of Highway 101, having a frontage of approximately 8,000 feet, just northwesterly of the Los Angeles-Ventura County line. Said area also includes a portion of land north of Highway 101 and west of Yerba Buena Road. Exhibit No. 3, filed at the hearing, is a map of applicant's service area.

Applicant's source of water supply is a 9-inch cased well, 300 feet in depth, located approximately 4,000 feet north of Highway 101 along the west side of Yerba Buena Creek. From the well, which is equipped with a pump driven by a 5-horsepower electric motor, water is delivered into a 47,000-gallon gunited tank approximately 125 feet above the creek bed, and is distributed by gravity to the consumers through 11,500 feet of 3- and 4-inch mains.

As of December 31, 1954, water service was being furnished to 18 consumers, 16 of whom are located along the ocean side of the highway and the other two are located in the section of land north of the highway. The entire system is metered. Residences are generally those of a resort area for use on week ends and the summer months. A motel, and a combination store, lunch counter, gas station, and post office are under construction. The combination store is located outside the service area, but would enhance the desirability of residences in the area.

Bases of Application

Applicant based its application on two primary factors, (1) the fact that, according to its records, it has been sustaining annual operating deficits, and (2) the fact that in June, 1954, it had been required by the State Division of Highways to sign a contract, a copy of which was filed at the hearing, as Exhibit No. 2, for the repayment of pipeline relocation costs in the estimated amount of \$24,576 caused by highway realignment. The contract, Exhibit No. 2, provided for payments by applicant to the State in 10 equal annual installments without interest.¹

¹ Decision No. 50092, dated June 1, 1954, in Application No. 35427 granted applicant authority to borrow funds in the amounts and according to the terms stated in said exhibit.

The record shows that applicant had no joint-use permit or easement for its pipeline installations in Highway 101, and applicant's counsel stated that he had been unable to find any provision of law which would protect applicant from having to bear the pipeline relocation costs.

Rates

The following tabulation is a comparison of the present, proposed, and authorized annual meter rates:

Comparison of Present, Proposed, and Authorized Annual Meter Rates

	<u>Per Meter Per Year</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
Quantity Rates:			
First 6,000 cu.ft. or less	\$30.00	\$ -	\$45.00
Over 6,000 cu.ft., per 100 cu.ft.	.40	-	.60
First 3,000 cu.ft. or less	-	67.50	-
Next 3,000 cu.ft., per 100 cu.ft.	-	2.25	-
Over 6,000 cu.ft., per 100 cu.ft.	-	1.80	-

Under the present rates, the charge for an annual usage of 6,000 cubic feet (average of 500 cubic feet per month) is \$30. Under the proposed rates such charge would be \$135, an increase of 350 per cent. Under the rates authorized hereinafter such charge would be \$45, an increase of 50 per cent.

Although applicant has no presently filed minimum charges for larger sized meters, the order hereinafter will provide for their filing.

Earnings

Applicant's consulting accountant submitted earnings data in Exhibit No. 1. A Commission staff engineering witness submitted a report on applicant's operations as Exhibit No. 4. The earnings data contained in Exhibits Nos. 1 and 4 for the year 1954, recorded, and the year 1955, estimated, at present and proposed rates, are summarized in the following tabulation:

Summary of Earnings

Item	Year		Year 1955 Estimated		
	1954		Year 1955 Estimated		
	Recorded:	Present Rates	Proposed Rates		
	Per PUC	Per Co.	Per PUC	Per Co.	Per PUC
	Exh. 4	Exh. 1	Exh. 4	Exh. 1	Exh. 4
Operating Revenues	\$ 1,210	\$ 1,322	\$ 1,380	\$ 5,949	\$ 5,700
Operating Expenses	1,608	1,185	645	1,185	645
Depreciation	2,330	3,187	350	3,187	350
Taxes	208	208	200	208	660
Subtotal	4,146	4,580	1,195	4,580	1,655
Net Revenues	(2,936)	(3,258)	185	1,369	4,045
Rate Base	19,923	35,388	17,970	35,388	17,970
Rate of Return	-	-	1.03%	3.87%	22.51%

(Red Figure)

The staff estimate of operating revenues for 1955 is based on the estimated addition of an average of 2 new consumers during that year. The record shows that average estimated annual revenue per consumer for 1955 at the present rates is \$69, and at the proposed rates \$285.

The staff estimate of normal operating expenses, including taxes, appears to be reasonable and will be adopted for the purposes of this proceeding.

Estimated depreciation expense submitted by applicant's witness was based on an over-all 10 per cent depreciation rate. Individual depreciation rates for specific items of capital were not calculated independently. It appears that the fixed capital lives used by applicant are unrealistically low, that the resultant depreciation rates are, therefore, excessively high and the estimated depreciation expense computed by applicant is correspondingly high. The staff calculation of depreciation expense will be, and hereby is, adopted as reasonable for this proceeding.

Included in the total average fixed capital for the estimated year 1955 are net additions of \$14,872 associated with the

abandonment of an old 2½- and 3-inch pipeline and its replacement with a new 4-inch cast-iron main required by the realignment and enlargement of State Highway 101. The staff's rate base excludes \$10,860 from the fixed capital for this item. The deduction for depreciation reserve in determining the 1954, adjusted, and 1955, estimated, depreciated rate bases is based on the recorded depreciation reserve as adjusted by the staff for saturation and the proposed addition of a new pump. The staff estimated rate base for the year 1955 appears to be reasonable and will be, and hereby is, adopted.

Conclusion

It is evident from the record herein that applicant has been and is in need of financial relief. That a very small public utility water company should have been forced by law to incur costs, the reimbursement of which is impossible under any reasonable water service rate, is unjust. The Commission is greatly concerned with any provision of existing law, which, by its enforcement and proper application, may bankrupt a public utility under its jurisdiction. We cannot under any reasonable circumstance authorize hereinafter the filing of rates to compensate this small water utility for the extraordinary and unjust costs it has been required to incur in order to continue in business and render water service to its consumers.

A careful review of the record indicates that applicant's proposed rates are excessive. A new and lower schedule of rates, including annual minimum charges for larger sized meters, will be authorized to be filed which will produce estimated gross annual revenues for the year 1955 of \$2,130,² or an annual increase of \$750 over present rates. When operating expenses, including taxes and depreciation of \$1,195, are deducted from gross revenues, net

² Estimated average annual revenue for the year 1955 amounts to \$106.50 per consumer.

estimated operating revenues of \$935 will result. Such net revenues, when related to an estimated rate base of \$17,970, will produce a rate of return of 5.2 per cent. This rate of return for this proceeding is found to be just and reasonable.

O R D E R

Amended 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, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

- 1.a. That applicant Yerba Buena Water Company, a corporation, 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 schedule 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 September 1, 1955.
- b. That within thirty days after the effective date of this order, applicant shall file with this Commission four sets of up-to-date rules governing customer relations, together with four copies of a tariff service area map acceptable to the Commission, in conformity with the Commission's General Order No. 96. Such rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
- c. That applicant shall file with this Commission within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 300 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 properties of applicant.

2. Beginning with the year 1955, applicant shall determine depreciation expense relating to the portion of the depreciable fixed capital allowed herein by multiplying said depreciable fixed capital by a rate of 1.40 per cent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable fixed capital occur or at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

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

Dated at Los Angeles, California, this 18th day of July, 1955.

Justin F. Caswell
President
Raulo Vitaraine
Walter J. Noble
P. Hardy

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all domestic water service rendered on an annual basis.

TERRITORY

In parts of Sections 26 and 27, T. 1 S., R. 20 W., S.B.B & M. adjacent to the Pacific Ocean, Ventura County and designated Parcels 1 and 2 on the service area map included in the tariff schedules of the Company.

RATES

	<u>Per Meter</u> <u>Per Year</u>
Annual Quantity Rates:	
First 6,000 cu.ft. or less	\$45.00
Over 6,000 cu.ft., per 100 cu.ft.60
Annual Minimum Charge:	
For 5/8 x 3/4-inch meter	\$45.00
For 1-inch meter	60.00
For 1 1/2-inch meter	75.00
For 2-inch meter	90.00

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

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing July 1 and are due in advance.
2. For initial service, commencing on any date other than July 1, the above annual minimum charge will be prorated.
3. Meters will be read bimonthly. A customer having used a quantity of water in excess of that which the annual minimum charge will purchase will be billed for the excess usage in accordance with the annual quantity rates.