

ORIGINAL

Decision No. 5212S

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of L. R. VANONI, d.b.a. COAST)	
SPRINGS WATER CO., for an increase)	
in rates for water service in)	Application No. 36345
Dillon Beach, Marin County,)	
California.)	

L. R. Vanoni, in propria persona;
John E. Johnson, for the Commission staff.

O P I N I O N

Nature of Proceeding

Applicant, on November 24, 1954, filed this request for an increase in water service rates for the resort community of Dillon Beach, situated on the shores of the Pacific Ocean a short distance north of Tomales Bay, in Marin County.

Applicant alleges that the proposed rates will result in a 46 per cent increase in revenue, providing a 5.4 per cent rate of return on a depreciated rate base, and that such increase is necessary for continued good service as well as to provide a reasonable return on invested capital.

Applicant has requested that the Commission authorize the proposed rates or such other rates as may provide a reasonable return.

Public Hearing

The application was submitted for decision at a public hearing held April 7, 1955, at Dillon Beach, before Examiner John M. Gregory. A number of consumers of the system, including both permanent and summer residents of the community, participated in the hearing. Some opposed applicant's request while others did not.

The record also includes a detailed report (Exhibit 1) of an investigation of the operations of the system by a member of the Commission's Hydraulic Section, who testified at the hearing.

Description of Present System

Applicant acquired the water system in 1947 (Decision No. 40344, Application No. 28376) from predecessors, who had formerly provided water to purchasers of lots in Dillon Beach on a contract basis. The system was first certificated in 1938 (Decision No. 30807, Application No. 21826), and the rates then established were continued in effect until applicant, in 1948, having invested \$12,000 in plant facilities during this first year of ownership, was authorized to increase them and to install meters (Decision No. 42012, Application No. 29249).

The system can receive water from five sources, comprising three deep wells having a combined capacity of from 15 to 21 gpm, equipped with pumps which discharge into the transmission main leading to a 13,000-gallon reservoir; an infiltration gallery fed by springs located on high ground near the three wells mentioned above, which discharges into a 1.5-million-gallon reservoir formed by an earth-fill dam spanning a small ravine; and, finally a shallow, steel-cased, large diameter well located in Dillon Beach. This well is pumped by a 3-hp electrically driven reciprocating pump discharging into a 1,000-gallon pressure tank. All water from this source is chlorinated before it enters the pressure tank. The flow from this well appears to be from 20 to 25 gpm and the well sump itself has a storage capacity of about 20,000 gallons.

Transmission and distribution mains consist of about 9,400 feet of pipe ranging in size from 3/4 to 3-inch diameter. Facilities which have been added since 1947 are the wells at Sites Nos. 2 and 3 and their pumps (shown on Chart 1-A, Exhibit 1); the chlorinating

equipment, approximately 20 services, 120 meters and additional distribution mains.

The area served comprises the Dillon Beach Resort with its 15 rental units, other water using facilities and a store, together with the premises of permanent and seasonal residents of the community. The terrain slopes upward easterly from the beach to an elevation of about 400 feet at the upper well sites.

Present and Proposed Rates

Present and proposed metered service rates, for a 5/8 by 3/4-inch meter, are shown in part in the following table:

Minimum Annual Charge:

For 5/8 x 3/4-inch meter

<u>Per Meter Per Year</u>	
<u>Present Rates</u>	<u>Proposed Rates</u>
\$21.00	\$30.00

Monthly Quantity Rates:

		<u>Per Meter Per Month</u>	
First	200 cu.ft. or less	\$ 1.75	\$ -
First	300 cu.ft. or less	-	2.50
Next	300 cu.ft., per 100 cu.ft.	.50	-
Next	2,200 cu.ft., per 100 cu.ft.	-	.50
Next	500 cu.ft., per 100 cu.ft.	.40	-
Next	12,500 cu.ft., per 100 cu.ft.	-	.40
Next	1,000 cu.ft., per 100 cu.ft.	.30	-
Next	3,000 cu.ft., per 100 cu.ft.	.20	-
Over	5,000 cu.ft., per 100 cu.ft.	.15	-
Over	15,000 cu.ft., per 100 cu.ft.	-	.30

The minimum annual charge is due and payable in advance on January 1. Charges for water used in excess of minimum amounts allowed may be billed monthly, bimonthly or quarterly at the option of the utility. Both present and proposed minimum annual charges are designed for meters ranging from 5/8 by 3/4 to 2 inches in size. The quantity rates, however, are made subject to the proviso that the minimum charge will entitle the consumer to the quantity of water each month which one twelfth of that annual minimum charge will purchase at the quantity rates.

Consumers' Position

The managing partner of Dillon Beach Resort objected to the proposed increases in rates for the reason that, according to his estimates, his annual bill would be increased more than 100 per cent, or from \$404 to \$857, with present usage, and to about \$1,000 per year if he should add new rental units to his resort as he plans to do. He indicated that, if the proposed rates should go into effect, he would put in his own well and pumping plant, but would retain a connection to the system and pay the annual minimum charge by way of standby protection. The record indicates that a substantial portion of the system's facilities is used in supplying water to the resort and its various activities.

Some objection was voiced by seasonal residents to the provision in the rate schedule entitling the consumer to only that quantity of water in any month which one twelfth of the annual charge would purchase at the quantity rates. In other words, these customers, who may only use water during a few months of the year, were of the opinion that they should be permitted to accumulate their monthly water allowance over the time their premises were occupied. This is a recurrent problem in seasonal service. The seasonal consumer, however, frequently does not fully appreciate the fact that the utility's service is available and must be maintained at all times during the year. It would not be possible to set rates which would permit the accumulation of water allowed under a monthly minimum or by using an annual minimum without increasing the minimum charge above that which would be necessary under a monthly minimum as a good portion of the revenue received under the present rates is derived from the sale of water used above that allowed under the minimum charge. Before such a rate could be considered, its effect upon the water consumption would also have to be studied to ascertain

whether additional facilities would be required to meet increased demands.

Results of Operation

The application sets forth results of operation of the system for 1953 at present rates, and includes an estimate of results for 1955. The staff report (Exhibit 1), includes recorded and adjusted results, at present rates and estimates, at proposed rates, for 1954, as well as estimates for 1955, at both present and proposed rates. Applicant's figures for 1953 indicate a rate of return of 2.2 per cent on a depreciated rate base of \$27,842.42, while the staff calculated a rate of return, for 1954, of 0.34 per cent using a depreciated rate base of \$29,022, on the basis of adjusted results for that year. Since applicant's 1953 results are not comparable with the staff's figures for 1954, the following tabulation will show a comparison of only the 1955 estimates, which is considered sufficient, for the purposes of this proceeding, to indicate the effect of the proposed rate increases. Applicant made no estimate of results for 1955 at present rates.

Item	1955 Estimated			
	Company		Staff	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 4,440	\$ 3,414 ^b	\$ 4,914 ^b	
Operating Expenses	3,068 ^a	3,282 ^b	3,617 ^b	
Net Revenue	1,372	132	1,297 ^c	
Rate Base, Depreciated	25,275	28,619 ^c	28,619 ^c	
Rate of Return	5.4%	0.46%	4.53%	

- a. Includes income tax but excludes depreciation expense. Applicant has used the 5% sinking fund method of depreciation accrual, while the staff has adopted the straight-line remaining life method, using a composite accrual rate of 3.4%.
- b. Includes tax and depreciation expense.
- c. Average depreciated rate base.

The system, in 1954, served approximately 118 consumers, of whom some 12 to 15 were permanent residents of the community. The staff's estimates for 1955 assume net additions to plant of about \$155 based upon anticipated additional customers and company scheduled construction.

Summary and Conclusions

The record establishes that this utility is in need of additional revenue. While the estimated rates of return for 1955, at proposed rates, are somewhat low, they should not be taken as a firm indication of the company's prospects for a future year, since slight variations in revenue, expense, or other items tend to exert a marked effect upon the return experienced by a system of the size here under consideration.

One factor, however, undoubtedly would have a profound effect. If the owner of Dillon Beach Resort, the largest individual customer should carry out his announced plans for installation of his own facilities, the resultant effect of such a program on the company's estimated revenues would be serious. The rates hereinafter authorized have been designed to spread the requested increase in revenues more equally between the residential and the resort customers than the rates proposed by applicant. In order to accomplish this, it has been necessary to increase the minimum charges and reduce the block rates. The increased minimum charge has been partially offset by allowing 400 cubic feet of water each month for the minimum charge rather than the 300 cubic feet proposed by applicant.

Recommendations by the staff, contained in Chapter 12 of its report, are hereby found reasonable. The company will be directed to carry them into effect.

We conclude, on the basis of this record, that applicant's request for an increase in rates has been justified. The increased

rates hereinafter authorized are estimated to produce a rate of return of approximately $4\frac{1}{2}$ per cent on an average depreciated rate base, for 1955, of \$28,619, assuming no major change in patronage or other variable item for the estimated year. We find such rates, rate base and rate of return to be reasonable under the conditions disclosed by this record.

O R D E R

Public hearing having been held on the above-entitled proceeding, 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 that:

1. 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, including its present flat rate fire hydrant charges, together with revised rules satisfactory to the Commission, and, after not less than five days' notice to the Commission and the public, to make said rates and rules effective for service rendered on and after December 1, 1955.
2. Applicant shall file, within thirty days after the effective date of this order, in conformity with General Order No. 96, four copies of a tariff service area map acceptable to this Commission, delineating thereupon in distinctive markings the boundaries of its 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 any portion thereof. Such tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Applicant shall file with this Commission within forty days after the effective date of this order, four copies of a comprehensive map acceptable to this Commission, 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.
4. Beginning with the year 1955, applicant shall determine depreciation expense by multiplying the depreciable fixed capital by a rate of 3.4 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.
5. Within thirty days after the effective date of this order applicant shall adjust his books to reflect the changes in fixed capital set forth in Chapter 6 of Exhibit 1 so as to show the total plant balance as of December 31, 1954 at \$31,789. He shall file a copy of each journal entry used to effect such adjustment, such filing to be made within thirty days after the date of such entries.

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

Dated at San Francisco, California, this 25th day of October, 1955.

[Signature]
President

[Signature]

[Signature]

Commissioners

Justus F. Craomer
Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Dillon Beach, located approximately 4 miles west of the town of Tomales, Marin County.

RATES

Monthly Quantity Rates:

	Per Meter Per Month
First 400 cu.ft. or less included in minimum charge.	
Next 2,100 cu.ft., per 100 cu.ft.	\$.50
Next 12,500 cu.ft., per 100 cu.ft.30
Over 15,000 cu.ft., per 100 cu.ft.15

Annual Minimum Charge:

	Per Meter Per Year
For 5/8 x 3/4-inch meter	\$ 33.00
For 3/4-inch meter	45.00
For 1-inch meter	60.00
For 1 1/2-inch meter	100.00
For 2-inch meter	150.00

The Annual Minimum Charge will entitle the customer to the monthly quantity of water which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charge applies to service during the calendar year commencing January 1 and is due in advance.
2. Charges for water used in excess of 400 cubic feet per month will be billed monthly, bimonthly or quarterly at the option of the utility.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to duly organized or incorporated fire protection districts or other political subdivisions of the State.

TERRITORY

The unincorporated community of Dillon Beach, located approximately 4 miles west of the town of Tomales, Marin County.

RATE

Per Month

For each fire hydrant	\$0.50
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SPECIAL CONDITIONS

1. The above rate includes use of water for fire protection and for no other purpose. For all other use by public agencies or for water delivered through fire hydrants for any other purpose, charges will be made therefore at the quantity rates under Schedule No. 1, General Metered Service.

2. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.