

Decision No. 54185

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

| | | |
|------------------------------------|---|-----------------------|
| The application of RANCHO GREEN |) | |
| VALLEY WATER COMPANY, a California |) | |
| corporation, and a PUBLIC UTILITY |) | Application No. 37873 |
| for authority to increase its |) | |
| water rates. |) | |

Wolver & Wolver, attorneys by Eugene L. Wolver, for applicant;
J. Archer, Mrs. P. Caslander, R. Clair,
E. Dahlgren, Mrs. G. Delmatedo, E. J. Kennedy,
B. Lewis, H. A. Merbach,
Selwyn Miller, Al Moreland, A. Myers,
Cy Perkins, E. Teigler, Mr. and Mrs. Bill Turet,
D. E. Warburton, protestants;
John D. Reader and Theodore Stein, for the
 Commission staff.

O P I N I O N

Rancho Green Valley Water Company, a corporation, by the above-entitled application filed March 26, 1956, seeks authority to increase its rates for water service by about \$1,500 per year, or 22.1 per cent.

A public hearing in this matter was held before Examiner Stewart C. Warner on October 15, 1956, at Green Valley. Many consumers appeared in protest.

Applicant's present rates are those authorized by Decision No. 51205, dated March 15, 1955, in Application No. 32665. They are

compared with the rates proposed in the instant application in the following tabulation:

Comparison of Present and Proposed Rates

| | | <u>Per Meter per Month</u> | |
|-----------------|------------------------------|----------------------------|-----------------------------|
| | | <u>Present</u> | <u>Company Proposed</u> |
| Quantity Rates: | | | |
| First | 300 cu.ft. or less | \$ 3.00 | \$ - |
| Next | 2,700 cu.ft., per 100 cu.ft. | .50 | - |
| Over | 3,000 cu.ft., per 100 cu.ft. | .40 | - |
| First | 200 cu.ft. or less | - | 3.50 |
| Next | 100 cu.ft., per 100 cu.ft. | - | 1.00 |
| Next | 2,400 cu.ft., per 100 cu.ft. | - | .50 |
| Over | 2,700 cu.ft., per 100 cu.ft. | - | .40 |

Minimum Charge:

| | | | |
|-----|----------------------------|---------|---------|
| For | 5/8 x 3/4-inch meter | \$ 3.00 | \$ 3.50 |
| For | 3/4-inch meter | 5.00 | 5.00 |
| For | 1-inch meter | 7.50 | 7.50 |
| For | 1 1/2-inch meter | 10.00 | 10.00 |
| For | 2-inch meter | 15.00 | 15.00 |
| For | 3-inch meter | 25.00 | 25.00 |
| For | 4-inch meter | 35.00 | 35.00 |

Under the present rates and utilizing an average monthly consumption of 300 cubic feet per month, the charge is \$3 per month; and under the proposed rates this charge would be \$4.50.

Applicant submitted as Exhibit "A", a statement of revenue and expense for the year 1955 at the present rates, and in Exhibit "C" a projected statement of revenue and expenses based upon anticipated new rates. A Commission staff accounting and engineering report on applicant's results of operation was submitted as Exhibit No. 4. The

earnings data contained in Exhibits "A", "C" and No. 4 are summarized as follows:

Summary of Earnings

| Item | Year 1955 | | Year 1956 Estimated | |
|--------------------|------------|---------------|---------------------|------------|
| | Recorded | Present Rates | Proposed Rates | |
| | Per P.U.C. | Per P.U.C. | Per Company | Per P.U.C. |
| | Exh.No.4 | Exh.No.4 | Exh."C" | Exh.No.4 |
| Operating Revenues | \$ 7,176 | \$ 6,750 | \$ 8,596 | \$ 8,240 |
| Operating Expenses | 5,436 | 5,900 | 6,562 | 5,900 |
| Taxes | 286 | 358 | 286 | 495 |
| Depreciation | 1,270 | 1,094 | 1,270 | 1,094 |
| Total Expenses | 6,992 | 7,352 | 8,118 | 7,489 |
| Net Revenue | 184 | (602) | 478 | 751 |
| Rate Base | 30,300 | 30,000 | 27,760 | 30,000 |
| Rate of Return | 0.61% | - | 1.003%* | 2.5% |

(Red Figure)

* Computed on "capital investment" after interest deduction of \$200 from income.

The earnings data, both recorded and estimated by applicant, were adjusted by the staff engineering witness to reflect the following:

- a. A redistribution of expenses between accounts and transfer of capital expenditures of \$300 to appropriate capital accounts;
- b. Adjustment of:
 1. Transportation allowance to \$720;
 2. Wage level to \$2,400 (\$150 per month to local operator, and \$50 for manager);
 3. Purchased power, insurance, and miscellaneous materials expenses (purchased power placed on full year basis to reflect electric rate increase during 1955, and insurance and materials expenses were averaged);
- c. Allowances made for:
 1. Office rental)
 2. Telephone expense) \$240
 3. Estimated cost of subject proceeding amortized over a 4-year period (at \$125 per year).

Likewise, applicant's utility plant accounts as of December 31, 1955, were adjusted for rate-making purposes. Said

plant account adjustments resulted in an increase of \$2,760. Estimated net additions for 1956 of \$1,158 for the extension of a 4-inch main, ordered by the Commission to be installed by Decision No. 51205 (supra), and five additional services and meter installations, were included.

Applicant's depreciation reserve requirement and annual expense were recomputed by the staff engineer according to the straight-line remaining life method.

All of the aforementioned adjustments made by the Commission staff engineer appear to be reasonable, and they will be adopted for the purposes of this proceeding.

The staff engineer also recommended that the utility make some arrangement for a local office where service could be requested and water bills paid. The Commission shall expect applicant to take the steps necessary to make such service available.

It is evident that applicant is in need of financial relief. Its annual interest requirements, based upon its outstanding indebtedness as of September 30, 1956, are \$517. The rate of return of 2.5 per cent, which the staff estimated would be produced by the proposed rates, is not excessive.

The record discloses in Exhibit No. 5 that there are 69 permanent residents, 34 "weekenders", and 48 seasonal consumers, for a total of 151 consumers. Because of the seasonal and temporary character of more than one half of the total number of consumers, and based upon a staff recommendation contained in Exhibit No. 4, a schedule of rates other than those proposed in the application will be authorized to be filed. The authorized rates will produce the estimated gross operating revenues of \$8,240 as shown hereinbefore. The authorized rates have been designed to, partially compensate applicant for the costs associated with year-round standby service

enabling any consumer - "weekender", seasonal or permanent - to be served water in any quantity at any time he demands water service. The options offered to each consumer in the authorized rates will enable him to choose the type of rate for water service which best fits his residence habits and water use needs.

While the Commission recognizes that applicant's rates for water service are very high when compared with those in other areas, it is noted that applicant serves a very small number of consumers, from a very limited water supply, in a semiarid territory. It is also noted that applicant has no large industrial or commercial water users, and that its available water supply would not be sufficient to serve any such users. The record shows that its officers have loaned applicant money in order to provide needed funds for service improvements and have purchased the company's preferred stock, thus making cash available to applicant for the necessary capital improvements. The Commission is required by law to provide applicant with a reasonable opportunity to earn a fair rate of return on a rate base found to be just and reasonable. The rate of return of 2½ per cent on the average depreciated rate base for the year 1956, estimated, of \$30,000 and its components, as detailed hereinbefore, are found to be just and reasonable, and applicant will be authorized by the order which follows to file the new schedules of rates attached to the order as Appendix A.

The Commission finds 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 for the future unjust and unreasonable.

O R D E R

Application as above entitled having been filed, a public hearing having been held thereon, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that Rancho Green Valley 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 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 January 1, 1957.

IT IS HEREBY FURTHER ORDERED, as a condition subsequent to the foregoing authorization, as follows:

1. That applicant shall replace the existing 2-inch main in Spunky Canyon Road with 4-inch main from the existing 4-inch facilities to Calle El Jornada; that such replacement shall be effected within ninety days after the effective date hereof; and that applicant shall report to the Commission in writing within fifteen days after such replacement has been made.

2. Beginning with the year 1956, applicant shall determine depreciation expense by multiplying the depreciable utility plant, exclusive of plant provided through contributions in aid of construction, by a rate of 3.0 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 utility plant occur and 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.

3. That applicant, within thirty days after the effective date of this order, shall file with this Commission four copies of a tariff service area map in conformity with the provisions of the Commission's General Order No. 98. Such tariff service area map shall become effective on five days' notice to the Commission and the public after filing as herein provided.

4. That applicant, within one hundred twenty days after the effective date of this order, shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 250 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.

5. That applicant shall immediately take steps to secure title to all services and meters recorded in its plant accounts and shall report in writing to the Commission within ninety days after the effective date hereof its progress in complying herewith, and every thirty days thereafter until applicant shall have complied fully with this provision.

6. That any failure or omission on the part of applicant to faithfully comply with the foregoing conditions shall be cause for such further order by the Commission as shall be appropriate.

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

Dated at Los Angeles, California, this 4th day of DECEMBER, 1956.

[Signature]
 President

[Signature]

[Signature]

[Signature]
 Commissioners

APPENDIX A
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Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Tracts Nos. 8830, 6183, 9080, 6639, 8956, 8995 and 6647 and vicinity, in the unincorporated area known as Green Valley, situated approximately 16 miles west of Palmdale, Los Angeles County.

RATES

Monthly Quantity Rates:

| | <u>Per Meter</u> <u>Per Month</u> |
|--|--------------------------------------|
| First 300 cu.ft. or less | \$ 3.85 |
| Next 900 cu.ft., per 100 cu.ft. | .75 |
| Next 1,800 cu.ft., per 100 cu.ft. | .50 |
| Over 3,000 cu.ft., per 100 cu.ft. | .40 |

Annual Minimum Charge:

| | <u>Per Meter</u> <u>Per Year</u> |
|--------------------------------|-------------------------------------|
| For 5/8 x 3/4-inch meter | \$ 46.20 |
| For 3/4-inch meter | 60.00 |
| For 1-inch meter | 90.00 |
| For 1 1/2-inch meter | 144.00 |
| For 2-inch meter | 204.00 |
| For 3-inch meter | 336.00 |
| For 4-inch meter | 504.00 |

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

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing January 1, and are due in advance. A customer who has established his permanency by having taken service for the preceding 12 months

Schedule No. 1

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.

2. When the annual minimum charge is paid in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly, or quarterly at the option of the utility on a noncumulative monthly consumption basis.

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Schedule No. 1S

SEASONAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on a seasonal basis.

TERRITORY

Tracts Nos. 8830, 6183, 9080, 6639, 8956, 8995 and 6647 and vicinity, in the unincorporated area known as Green Valley, situated approximately 16 miles west of Palmdale, Los Angeles County.

RATES

| Monthly Quantity Rates: | | Per Meter <u>Per Month</u> |
|-------------------------|-----------------------------------|-------------------------------|
| First | 300 cu.ft. or less | \$3.85 |
| Next | 900 cu.ft., per 100 cu.ft. | .75 |
| Next | 1,800 cu.ft., per 100 cu.ft. | .50 |
| Over | 3,000 cu.ft., per 100 cu.ft. | .40 |

| Seasonal Minimum Charge: | Per Meter <u>Per Season</u> | Quantity Allowed Per Month for <u>Minimum Charge</u> |
|---|--------------------------------|--|
| For the 9-month period, March 1 to November 30, inclusive: | | |
| For 5/8 x 3/4-inch meter | \$40.00 | 300 cu.ft. |
| For 3/4-inch meter | 50.00 | 450 cu.ft. |
| For 1-inch meter | 80.00 | 750 cu.ft. |

SPECIAL CONDITIONS

1. The seasonal minimum charge is due in advance and will entitle the customer to the quantity of water each month that corresponds to the seasonal minimum charge as shown above.

2. The charge for water used in excess of the quantity allowed each month for the seasonal minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative, monthly consumption basis.

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Schedule No. 1S

SEASONAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

3. Customers who have paid the seasonal minimum charge may obtain service during any other months of the same calendar year at the monthly quantity rates upon written notice to the utility stating the months in which such service is desired.