

ORIGINAL

Decision No. 56608

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LIVE OAKS SPRINGS WATER & POWER COMPANY,
a corporation, for an order authorizing
cancellation of present unmetered water
rates and the establishment of proposed
metered water rates together with changes
in tariff schedules effecting the same.

Application No. 39555

Merideth Rankin and John A. Cunningham, for
applicant.
A. G. Barmore, for Live Oaks Springs Property
Owners Association, interested party.
C. F. Clark and William Tee, for the Public
Utilities Commission staff.

O P I N I O N

The Live Oaks Springs Water & Power Company conducts a public utility water system at Live Oaks Spring resort in San Diego County, California. It recently has installed meters on each of its approximately ninety services, and in this application requests authority to establish rates therefor.

A public hearing was held before Commissioner R. E. Unter-einer and Examiner Grant E. Syphers at Live Oaks Springs, on April 10, 1958, at which time evidence was adduced and the matter submitted.

The present rates of the applicant became effective October 9, 1957, by authority of Decision No. 55499, dated September 3, 1957, in Case No. 5929, and are applicable to water service furnished on a flat rate basis. For each residential customer the yearly charge is \$36 and for each commercial customer \$48. There is

an additional charge for sprinkling or irrigating lawns, gardens and shrubbery of 5 cents per month per 100 square feet of area irrigated.

The proposed rates are as follows:

| | | <u>Metered Rates</u> |
|--|--|--------------------------------|
| Quantity Rates: | | <u>Per Meter Per Month</u> |
| First 600 cu.ft. or less | | \$6.00 |
| Next 1,200 cu.ft., per 100 cu.ft. | | .50 |
| Next 1,200 cu.ft., per 100 cu.ft. | | .35 |
| Over 3,000 cu.ft., per 100 cu.ft. | | .20 |
| Minimum Charge: | | <u>Per Meter Per Year</u> |
| For 5/8 x 3/4-inch meter | | \$ 72.00 |
| For 3/4-inch meter | | 96.00 |
| For 1-inch meter | | 144.00 |
| For 1 1/2-inch meter | | 216.00 |
| For 2-inch meter | | 360.00 |

The evidence disclosed that under present rates the applicant operated at a loss for the year 1957, and would operate at a loss for 1958. At proposed rates the following results of operations for 1958 were submitted by the applicant and by the Commission's staff:

| <u>Item</u> | <u>Applicant</u> | <u>Staff</u> |
|--------------------|------------------|--------------|
| Operating Revenues | \$ 7,600 | \$ 9,100 |
| Expenses | | |
| Operating Expenses | 3,708 | 3,500 |
| Taxes | 1,117 | 1,800 |
| Depreciation | <u>1,038</u> | <u>1,120</u> |
| Total | 5,863 | 6,420 |
| Net Revenue | 1,737 | 2,680 |
| Rate Base | 29,404 | 25,600 |
| Rate of Return | 5.91% | 10.5% |

It will be noted from the foregoing tabulation that there is a difference in the estimates of operating revenue of \$1,500, the staff estimate exceeding that of applicant by that amount. The applicant arrived at its figures by comparison with an existing water utility which serves an area similar to that of applicant. The staff in its estimate assumed a water usage which was approximately twice that of the comparable company. A consideration of all of the testimony presented in this respect leads us to conclude that the estimate of applicant is more nearly correct. The water usage obviously will decline somewhat when the charge is made from an unmetered to a metered service. Furthermore, the staff estimated approximately $3\frac{1}{2}$ persons for each water service which does not appear likely in this area where most of the cabins are occupied by no more than two people.

Another important difference in the two estimates is to be found in the rate base, the staff's estimate being about \$3,300 less than that of applicant. \$3,000 of this amount can be accounted for by the fact that applicant added the cost of 1500 feet of 4-inch pipe which it intends to install. However, there was no testimony on the record as to the need for such an installation, and accordingly this estimated amount will not be allowed in the rate base at this time.

There were other differences between the two estimates which were minor in nature and need not be resolved for a determination of this case.

Based upon all of the testimony presented herein, we find that applicant is entitled to some rate relief but not to the extent

requested. We further find that rates should be established for metered service as soon as meters can be installed in the system. In this connection, the evidence disclosed that there is one meter to be installed to complete the metered service to the outside customers. Additionally, the owners of the water company own property which is receiving water from the system. One of these services consists of approximately nine cabins which are all on one meter, and another service to eight cabins is presently unmetered.

The proposed rates suggest yearly minimum charges, the least of which is \$72 for a 5/8 by 3/4-inch meter. There was considerable testimony from consumers who opposed this yearly minimum charge on the grounds that it was too high for the amount of water they consumed. Many of these users live in the area only during the summer months or on weekends.

Under the utility's Rule No. 18, an applicant for service to multiple dwelling units has the option of receiving service through a single service connection in which case only one minimum charge is applied. However, under the special circumstances existing for this utility it would not be equitable to reflect only one minimum charge to the utility owner's group of cabins while charging the same minimum charge to another customer owning a single unit. The adopted results will therefore reflect revenues based on a minimum charge for each such living unit.

On this basis, and using the utility's estimated consumption, an annual minimum charge of \$60.00 together with the proposed quantity rates would reflect revenues which, after allowance for all reasonable operating expenses, taxes, and depreciation, would yield a rate of return of approximately seven percent on a rate base of \$25,600, which rate of return and rate base we adopt as reasonable for purposes of this proceeding.

We now find that the present rates of this utility, so far as they differ from those hereinafter prescribed, are for the future

unjust and unreasonable. We further find that the rates hereinafter prescribed are for the future just and reasonable.

By Decision No. 54698, dated March 19, 1957, in Case No. 5820, this applicant was ordered to make certain improvements in its water system. The evidence shows that in the fall of 1957 applicant did install one 8800-gallon pressure tank and one 1200-gallon pressure tank. Also it installed one new well equipped with a 20-hp, 200-gallon-per-minute pump with automatic controls. These installations will be accepted in lieu of the requirements of Decision No. 54698, supra.

O R D E R

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

IT IS HEREBY ORDERED:

1.a. That the Live Oaks Springs Water & Power 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 General Order No. 96, the schedule of rates as shown in Appendix A attached hereto, and upon not less than five days' notice to the Commission and to the public to make said rates effective for service rendered on and after June 1, 1958.

b. Concurrently with the hereinabove authorized schedule of rates becoming effective, applicant's presently filed Schedule No. 1, Annual Flat Rate Service, shall be deemed canceled.

2. Beginning with the year 1958, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.3 percent. This rate shall be used until review indicates it should be revised. Further, applicant shall review the

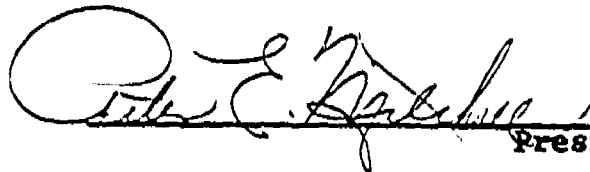
depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable utility plant occur and at intervals of not more than five years, revising the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

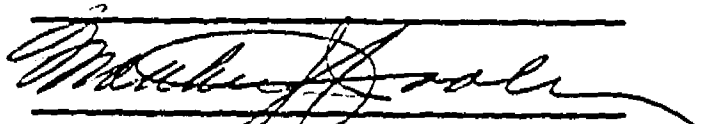
IT IS FURTHER ORDERED that the requirements of ordering paragraphs (1) and (2) of Decision No. 54698, dated March 19, 1957, in Case No. 5820, be and they hereby are eliminated and are of no further force and effect.

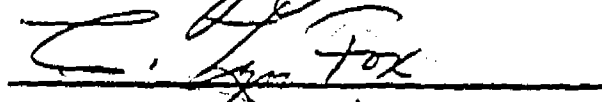
The Secretary of the Commission is directed to cause a certified copy of this decision to be filed in Case No. 5820.

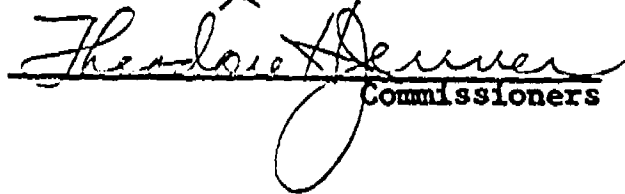
The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 29th day of APRIL, 1958.


President






Commissioners

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

APPENDIX A

Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Live Oaks Springs and vicinity, San Diego County.

RATES

| | <u>Per Meter per Month</u> |
|--|--------------------------------|
| Monthly Quantity Rates: | |
| First 600 cu.ft. or less | \$ 5.00 |
| Next 1,200 cu.ft., per 100 cu.ft. | .50 |
| Next 1,200 cu.ft., per 100 cu.ft. | .35 |
| Over 3,000 cu.ft., per 100 cu.ft. | .20 |
| Annual Minimum Charge: | |
| For 5/8 x 3/4-inch meter | \$ 60.00 |
| For 3/4-inch meter | 80.00 |
| For 1-inch meter | 120.00 |
| For 1-1/2-inch meter | 180.00 |
| For 2-inch meter | 300.00 |

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 twelve-month period commencing June 1 and are due in advance. The annual minimum charge will be prorated only for a customer receiving service for the first time.
2. 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.