

**ORIGINAL**Decision No. 58717

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 the LONE PINE WATER COMPANY for )  
 authority to increase the rates )      Application No. 38795  
 charged by it for water and to make )  
 changes in its rules. )

George H. Pratt, attorney, for applicant.  
R. F. Oyler, for Lone Pine Community Services  
 District; Wayne Kunkle, president, for  
 Lone Pine Chamber of Commerce; and Vern  
 Raker in propria persona, interested  
 parties.  
Donald B. Steger, for the Commission staff.

Prior appearances shown in Decision No. 56142

O P I N I O N

The above-entitled application of Lone Pine Water Company, a corporation, was filed February 4, 1957, and by it the applicant sought and seeks authority to increase its rates for water service in and in the vicinity of Lone Pine in unincorporated territory of Inyo County. The proposed increase in rates would amount to about \$5,000 on a gross annual basis over the present rates of \$2.20 per month on a flat rate basis for a single family residence. The rate proposed for such service is \$2.85. Proposed increases in flat rates for other types of service are set forth in Table 10A of Exhibit No. 4.

Public hearings were held before Examiner Stewart C. Warner on October 2 and 3, 1957, at Lone Pine, and by Decision No. 56142, dated January 21, 1958, the applicant was ordered to, within ninety days after the effective date of said decision, submit

to the Commission, in writing, a water system improvement program to eliminate the poor service conditions complained of, including the estimated cost and completion date of each such improvement, and to report to the Commission its progress therewith every ninety days thereafter until such program was completed. Applicant was also ordered to submit a study of its flat rate structure, including the number of customers in each classification, and the necessary data to effect a simplification of this schedule of rates. Said decision further provided that when the applicant had filed the above-noted report, the Commission would then issue its final order setting an appropriate level of rates. On November 21, 1958, the report on a study of flat-rate structures was filed pursuant to ordering paragraph (2) of Decision No. 56142, supra, and on March 19, 1959, the applicant advised that the water system improvement program was then complete and requested the Commission to issue its final order. On May 8, 1959, applicant filed a petition to reopen the proceedings and a public hearing was held before Examiner Warner on May 13, 1959, at Lone Pine.

At the May 13, 1959, hearing the applicant submitted, through its engineering witness, Exhibits Nos. 7, 8, 8A, and 8B which, together with the witness' testimony, showed that the applicant had taken positive steps to improve its water system and had constructed two 8-inch transmission-line feeders to improve service east of the highway and in the Bonham tract, in the so-called Hollywood area, and around the business district. This witness further testified that, in order to further improve water service conditions, he recommended the construction of 6-inch tie lines from

Lakeview and Post to Lone Pine and Post, and further extensions in the area, all of which would cost approximately \$16,000 in addition to the cost of the construction heretofore completed.

Applicant's accounting witness testified, and a letter from applicant dated October 30, 1958, over the signature of applicant's secretary-treasurer, who is also its accountant, shows that applicant issued its note to the Small Business Administration in the amount of \$15,000 under date of October 17, 1958, bearing 5½ percent interest and payable in monthly installments of \$164.00 including principal and interest.<sup>1</sup> The proceeds of such note were used for the new construction completed in March 1959 as noted.

Exhibit No. 11 is a Summary of Earnings Tabulation for the year 1958 at present and proposed rates as submitted by an engineering witness of applicant.

Exhibit No. 12 is a supplemental report on applicant's operations for the year 1958 recorded and adjusted, and for the year 1959 estimated, at present and proposed rates, submitted by a Commission staff engineer.

The following tabulation summarizes the earnings data contained in Exhibits Nos. 11 and 12:

---

<sup>1</sup> Authority for the issuance of such note was granted by Decision No. 56369, dated March 17, 1958, in Application No. 39445.

SUMMARY OF EARNINGS

Item	Year 1958		Year 1959	
	Per Co. Ex. No. 11		Per PUC Ex. No. 12	
	Recorded	Adjusted	Estimated	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Oper. Revenue	\$ 18,050	\$ 23,430	\$ 18,328	\$ 23,428
Oper. Expense	13,712	13,300	12,150	12,150
Depreciation	1,272	2,860	1,739	1,739
Taxes	1,416	2,990	2,074	3,747
Subtotal	\$ 16,400	\$ 19,150	\$ 15,963	\$ 17,636
Net Oper. Revenue	\$ 1,650	\$ 4,280	\$ 2,365	\$ 5,792
Rate Base	43,740	57,740	54,900	54,900
Rate of Return	3.77%	7.43%	4.3%	10.5%

The record shows certain discrepancies for rate-making purposes in the applicant's computations of the rate of return components and earnings requirement set forth in Exhibit No. 11, particularly the inclusion of pay-back of principal of the Small Business Administration loan as an earnings requirement. The applicant's estimate also included administrative and general expenses totaling \$5,780 for the year 1958, as contrasted to the amount of \$3,600 included by the staff for the year 1958 adjusted for this group of expenses.

The record shows that the staff engineer included an allowance in operating expenses for changes in methods of operating the distribution system by dividing and providing independent supplies to three separate areas as set forth in Exhibit No. 12. The staff engineer provided for the operating expenses associated with an expanded program of cleaning and flushing mains to improve service as

recommended by him. The staff engineer also included in the estimated rate base, the cost of the improvements effected during 1958, and he computed the depreciation reserve requirement associated with total utility plant in service, and annual depreciation expense, on the remaining life basis using a composite rate of 2.1 percent.

The superintendent of the Lone Pine Union High School District requested, on behalf of said District, that the present rate of \$62.50 per month for the high school, not be raised to \$80.00 as proposed. He stated that the history of the establishment of the School District rate, which was set in 1950, showed that originally it had been based on anticipated use of applicant's water for irrigating the school grounds, including the athletic field and the swimming pool, but that, at present, the school had its own well and used the applicant's water service for showers, lavatories, water heaters, drinking fountains, and hose outlets in patio areas, only.

#### Findings and Conclusions

After a careful review of the record it is evident that the applicant is in need of financial relief; that its present rates will not produce an adequate rate of return; that it has substantially improved its water system operations; that low operating pressures have been raised throughout most portions of the distribution system; that its plan to further improve its water system should be carried out; that a provision for the carrying out of such program should be made and included in the rate base hereinafter found to be reasonable; and that the application for an increase in rates should be granted, except that the requested increase in the rate to the Lone Pine Union High School should not be granted.

It is further found as a fact that the estimates of operating revenues, expenses, including depreciation and taxes, net revenue, and average depreciated rate base, for the year 1959 estimated, submitted by the staff engineer are reasonable and should be adopted for the purposes of this proceeding, except that an annual amount of \$210 of gross revenue should be excluded which represents the elimination of the proposed increase to the Lone Pine Union High School, and except that an annual amount of \$320 depreciation expense should be included which represents the depreciation on additional capital included hereinafter in the rate base. Such exclusion of revenue and inclusion of expense will result in net operating revenues of \$5,436 after income taxes. It is further found as a fact that an amount of \$16,000, less the average depreciation reserve related thereto amounting to \$110, should be included in the rate base for the proposed 6-inch tie line pipeline construction and installation, resulting in an average depreciated rate base of \$70,740 for the year 1959 estimated. When such net revenue and rate base, the components of which are herein found to be reasonable, are related to each other, a rate of return of 7.7 percent for the year 1959 estimated, at the rates proposed in the application and hereinafter authorized, will result. Such rate of return is found to be reasonable for this proceeding.

It is further found as a fact that the increase in rates and charges herein authorized are just and reasonable and that present rates insofar as they differ from those herein prescribed will for the future be unjust and unreasonable.

It is found as a fact that the staff recommendations for the placing in operation of a systematic schedule for the cleaning and flushing of distribution mains by applicant, and for the making by applicant of engineering studies of flow and pressure requirements, as set forth in Chapter 6-c of Exhibit No. 12, are reasonable.

The order hereinafter will provide that applicant will submit to the Commission, in writing, reports of its progress in completing the proposed program of installing 6-inch tie lines, as hereinbefore outlined, and will provide for the carrying out by applicant of the staff recommendations.

O R D E R

Application as above entitled having been filed, public hearings having been held, an Interim Decision No. 56142 having been issued, further public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That Lone Pine Water Company, a corporation, be and it is authorized to file in quadruplicate with the Commission, after the effective date of this order, in accordance with the requirements of 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 water service furnished on and after August 1, 1959.
2. That applicant shall continue to carry out the improvements to its distribution system by the installation of the 6-inch tie line pipelines costing approximately \$16,000 as outlined in the opinion herein, and shall complete such program within six months after the effective date hereof, and shall notify the Commission in writing of its completion within ten days thereafter.

- 3. That applicant shall immediately place in operation, a schedule for cleaning and flushing its distribution mains, and that such schedule shall provide for their cleaning and flushing in a period not to exceed one week, and daily if necessary, and shall submit such schedule in writing to the Commission within sixty days after the effective date hereof.
- 4. That applicant shall make engineering studies of flow and pressure requirements in order that future system additions will meet the minimum standards set forth in General Order No. 103, and shall submit the results of such studies as a report, in writing, to the Commission within ninety days after the effective date hereof and every one hundred eighty days thereafter for a period of two years.
- 5. That applicant shall continue to utilize a composite depreciation rate of 2.1 percent, such rate to be reviewed at intervals of not more than five years and whenever substantial changes in depreciable plant occur, using the straight-line remaining life method. Such rates shall be revised in accordance with such reviews and the results of such reviews shall be submitted to the Commission in writing.

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

Dated at San Francisco, California,  
this 7th day of July, 1959.

[Signature]  
President

[Signature]

[Signature]

[Signature]

[Signature]  
Commissioners



APPENDIX A  
Page 1 of 5

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated town of Lone Pine, and vicinity, Inyo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less .....	\$ 2.75
Next 9,000 cu.ft., per 100 cu.ft. ....	.20
Over 10,000 cu.ft., per 100 cu.ft. ....	.16
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.75
For 3/4-inch meter .....	4.00
For 1-inch meter .....	6.00
For 1 1/2-inch meter .....	12.00
For 2-inch meter .....	20.00
For 3-inch meter .....	35.00

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

SPECIAL CONDITION

A meter may be installed on any service at the option of either the customer or the utility; provided, however, that when an applicant or customer has exercised his option for metered service, such applicant or customer must agree, while he remains a customer, to accept service at the applicable meter rates for a period of at least 12 consecutive months.

APPENDIX A  
Page 2 of 5

## Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all unmetered water service.

TERRITORY

The unincorporated town of Lone Pine, and vicinity, Inyo County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
1. Single family residence or first unit of a multiple residence, on lot not exceeding 7,500 square feet in area .....	\$ 2.85
A. For each additional residential unit or house trailer located on the same lot .....	2.00
B. For each 100 square feet of lot area in excess of 7,500 square feet .....	.04
2. Motel Auto Court, Trailer Court, base rate including unit occupied by manager .....	3.00
A. For each additional occupancy unit with kitchen .....	1.25
B. For each additional occupancy unit without kitchen, or each space provided for house trailer use .....	1.00
3. Hotel - base rate including unit occupied by manager .....	5.00
A. For each room .....	.60
4. Swimming Pools:	
A. Pool for residential use .....	3.00
B. Pool for commercial use .....	7.50

(Continued)

APPENDIX A  
Page 3 of 5

## Schedule No. 2

GENERAL FLAT RATE SERVICE  
(Continued)

	<u>Per Service Connection</u> <u>Per Month</u>
5. Restaurant, bar or eating place, each, whether separate or with other business, with a seating capacity of 12 or less .....	\$ 3.50
A. For additional regular seating capacity over 12, per seat .....	.06
6. Small places of business, not included elsewhere (see Note 1), each .....	2.75
7. Large places of business, not included elsewhere (see Note 2), each .....	4.00
8. Service Station, base rate .....	4.00
With wash rack, additional .....	1.50
With garage, additional .....	1.00
9. Laundry .....	15.00
10. Laundromats, per washing machine .....	1.00
11. Churches:	
With parsonage .....	4.50
Without parsonage .....	3.00
12. Hospitals, per bed .....	2.25

NOTE 1: Small business shall include: business office, library, club, doctor's office, courtroom, bank, pool hall, small barber or beauty shop, and drug store without fountain.

NOTE 2: Large business shall include: food market, dentist's office, bakery, theatre, cleaners, barber or beauty shop with three chairs or more, and drug store with fountain.

(Continued)

APPENDIX A  
Page 4 of 5

## Schedule No. 2

GENERAL FLAT RATE SERVICE  
(Continued)

	<u>Per Service Connection</u> <u>Per Month</u>
13. Dwelling unit with outside water service .....	\$ 1.30
14. Service outlet for horse watering trough .....	3.00
15. Ice manufacturing plant .....	7.50
16. U. S. Forest Department .....	15.00
17. Inyo Elementary School .....	36.00
18. Lone Pine Union High School (excluding swimming pool)	62.50
19. City of Los Angeles, yards .....	7.50
20. Dow Hotel, standby water service .....	13.00

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated town of Lone Pine, and vicinity, Inyo County.

RATES

Per Month

For each hydrant ..... \$ 1.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. Fire hydrants will be attached to the utility's distribution mains for public fire protection only upon receipt of proper resolution passed by the local Fire Protection District. Said resolution must designate the specific location at which each is to be installed.
3. The foregoing charge for water service to fire hydrants is based on the understanding that they are to be owned by the local Fire Protection District and are to be installed, maintained, painted, inspected, and relocated at the expense of the district.
4. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.