

ORIGINALDecision No. 60648

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CRESTMORE VILLAGE WATER COMPANY, a)
 California corporation, under Section)
 454 of the Public Utilities Code, to)
 increase its rates for its Palmdale)
 Water System in Los Angeles County,)
 California.)

Application No. 41961

Moss, Lyon & Dunn, by George C. Lyon, for the applicant.

A. W. Clark, H. L. Willey, Mrs. Billie Haron,
Mrs. D. G. Fillinger, Mrs. H. L. Willey,
Mrs. J. E. Maulden, Mrs. Edna Young, L. M.
Cowhey, Sarah Coburn, Mrs. Alice G. Savage,
E. Alfred Miley, John C. Stanton, Joseph B.
Coburn, Alexander Ochoa, R. W. Merritt,
Mrs. Iva Farley, Mrs. E. L. Hensley, Alberta
Rebout, Richard D. Maron, Mrs. Tom Lucas,
Mrs. Frank Binando, Mrs. Chester McDowell,
 interested parties.

R. T. Perry, for the Commission staff.

O P I N I O NApplicant's Request

Crestmore Village Water Company is a California corporation furnishing domestic water to consumers in Palmdale, Los Angeles County. By the application herein, filed with this Commission on February 15, 1960, applicant seeks authority to increase the water rates for general metered service and to cancel the presently filed rates for flat rate service.

Public Hearing

Public hearings on the application were held in Palmdale, California, before Examiner Kent C. Rogers on June 13 and 14, 1960. Evidence was presented and the matter was submitted subject to the filing of Exhibit No. 4 within ten days. This exhibit has been filed and the matter is ready for decision.

System Facilities

The actual service area consists of two separated systems at the opposite ends of the community. The one on the north of Palmdale is known as the Palmdale Poultry Ranchos and contains 12 customers. The one on the east is known as the East Palmdale Ranchos and contains 95 customers. All services are metered. Each system has its own water production and storage facilities.

Present and Proposed Rates

The present and proposed rates are as follows:

Rates

		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
Quantity Rates:			
First	800 cu.ft. or less	\$ 2.00	\$ 4.00
Next	1,200 cu.ft., per 100 cu.ft. ...	.20	.40
Next	2,800 cu.ft., per 100 cu.ft. ...	.15	.40
Over	4,800 cu.ft., per 100 cu.ft. ...	.15	.30

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 2.00	\$ 4.00
For	3/4-inch meter	3.00	*
For	1-inch meter	4.00	5.00
For	1 1/2-inch meter	7.50	10.00
For	2-inch meter	12.00	15.00

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

* Current tariff schedule lists 3/4-inch meter but applicant does not use this size and does not request a new rate for same.

Customer Complaints and Service Matters

Twenty-two of the applicant's customers appeared at the hearing. Several had complaints relative to service and billing. One customer objected to an increase in rates due to the fact that the service area has become depressed as the result of the closing of an aircraft plant. The depressed condition of the area and the closing of the aircraft plant are important points, but are only two

of the many items for consideration when an increase in rates is required due to lack of adequate revenue.

Concerning complaints relative to the billing, it appears that the applicant had a service man in the area who did not comply with the filed rules of the applicant relative to notices of discontinuance of service, and also did not pay attention to complaints relative to water service. It also is possible that some of the complaints resulted from lack of attention by the present service man. The applicant's president has promised to investigate and correct service deficiencies. Complaints relative to billing were voiced by several people, and the meters of these people have been checked and the company has filed a report relative thereto.

The staff members checked the system and plant and made several recommendations for improving the system, such as repairing leaks in the pumping plant, bracing the pneumatic tank in the Palmdale Poultry Ranchos, and establishment of fire hydrant rates. It appears from the record that the leaks in the pumping plant have been repaired.

Earning Position

The applicant calculates that its rate of return at the present rates, with certain adjustments, was minus 2.5 percent in 1958, only 1.69 percent in 1959, and minus 4.59 percent in 1960. The Commission's staff estimates that applicant suffered a loss from operations in 1959, and would have a negative return of 3.42 percent in 1960 at present rates.

At the proposed rates the estimates prepared by the staff and the applicant are as follows for the year 1960:

<u>Item</u>	<u>Staff</u>	<u>Applicant</u>
Operating Revenue	\$14,190	\$15,131
<u>Operating Expenses</u>		
Operating & Maintenance Expenses	4,755	4,817
Administrative & General Expenses	400	380
Depreciation Expenses	2,397	3,082
Taxes Other Than Income	1,201	1,621
State Corp. Franchise Tax	259	191
Federal Income Tax	<u>1,337</u>	<u>1,337</u>
Total Operating Expense	\$10,349	\$11,428
Net Revenue	\$ 3,841	\$ 3,703
Average Depreciated Rate Base	\$63,353	\$63,030
Rate of Return	6.06%	5.88%

In considering this matter it appears that much of applicant's plant is excess (Exhibit No. 3). This so-called excess plant, valued at \$24,460, with an estimated depreciation reserve of \$1,728, was eliminated by the staff in determining ad valorem tax and depreciation expenses for the year 1960. Furthermore, all of this plant was paid for by advances for construction and, therefore, is not a reason for the rate increase.

Findings and Conclusions

The Commission has carefully considered the complaints by the various customers and the depressed economic conditions of the area, as well as the poor earning position of applicant under present rates. After weighing these matters, it is our finding and conclusion that improvement in applicant's financial position is of prime importance. Applicant is entitled under the law to an opportunity to earn a fair return on its plant; however, under the economic conditions prevailing and decreased usage that would follow such a sharp increase in rates as applicant proposes, it is questionable if applicant actually could realize a fair return the first year. In order to give the customers reasonable time to adjust their budgets

and water usage to the new rate levels, only one half of the proposed increase will be authorized for the first year in metered service rates.

For the purpose of determining the validity of applicant's request we adopt as reasonable the staff's estimate of revenues, expenses and rate base under the proposed rates for 1960. The rate of return shown of 6.06% is not excessive. We find the same to be reasonable and arrive at the conclusion that the applicant's request is justified; however, only approximately one half of the proposed increase will be authorized the first year in metered service rates.

From all of the evidence adduced in this matter we now find that the proposed increase in rates and charges, as hereinbefore described and authorized herein in steps is justified and that the present rates and charges insofar as they differ from those herein prescribed are for the future unjust and unreasonable.

We further find that applicant's request to withdraw its flat rate schedule, which has not been used since 1955, is reasonable and this will be authorized.

The order herein will provide that applicant shall install proper foundations for the tank at Palmdale Poultry Ranchos. The order will also authorize the establishment of rates for public fire hydrant service. Applicant will be expected to make diligent effort to collect revenues for public fire hydrant service from the appropriate fire protection agency.

In our opinion the rate increase is fully justified in two steps; however, the applicant is admonished to police the system and see that service complaints are checked and corrected promptly. All meters are to be tested within a two-year period and incorrect meters are to be replaced.

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:

(1) (a) That Crestmore Village Water Company, a California corporation, be and it is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A, and, on not less than five days' notice to this Commission and to the public, to make such rates effective for all service rendered on and after October 1, 1960. Concurrently therewith applicant is authorized to withdraw and cancel, by appropriate advice letter, its presently effective Schedule No. PD-2, Palmdale Tariff Area, Residential Flat Rate Service.

(b) That applicant is further authorized to file, after August 1, 1961, in accordance with the general procedure hereinabove outlined, the schedule of rates attached to this order as Appendix B, and on not less than five days' notice to this Commission and to the public, to make such rates effective for all general metered service rendered on and after October 1, 1961.

(2) That the hydropneumatic tank at the Palmdale Poultry Ranchos be placed on concrete supporting foundations within sixty days after the effective date hereof. Compliance with this provision shall be reported to the Commission in writing within ten days thereafter.

(3) That beginning with the year 1960, applicant shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicant shall review the accruals when major changes in utility plant composition occur and for each plant account at intervals of not

more than five years. Results of these reviews shall be submitted to the Commission.

(4) That the applicant shall file with this Commission, within sixty days after the effective date of this order, four copies each of comprehensive maps of the two Palmdale systems drawn to a scale not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal sources of water production, storage, and distribution facilities; and the locations of the various water system properties of the applicant.

(5) That applicant shall inaugurate a meter testing program under which all meters shall be tested and made to comply with the requirements of General Order No. 103 within two years.

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

Dated at San Francisco, California, this 30th day of August, 1960.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

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

APPENDIX A
Page 1 of 2

Schedule No. PD-1

Palmdale Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated areas known as Palmdale Poultry Ranchos (Tract No. 15497) and East Palmdale Ranchos (Tract No. 8597) in the vicinity of Palmdale, Los Angeles County.

RATES

Per Meter
Per Month

Quantity Rates:

First	800 cu.ft. or less	\$ 3.00
Next	4,000 cu.ft., per 100 cu.ft. ....	.30
Over	4,800 cu.ft., per 100 cu.ft. ....	.22

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 3.00
For	3/4-inch meter	3.75
For	1-inch meter	4.50
For	1½-inch meter	8.75
For	2-inch meter	13.50

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

APPENDIX A
Page 2 of 2

Schedule No. PD-5

Palmdale Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas known as Palmdale Poultry Ranchos (Tract No. 15497) and East Palmdale Ranchos (Tract No. 8597) in the vicinity of Palmdale, Los Angeles County.

RATES

Per Month

For each wharf type hydrant	
Owned by the utility	\$ 2.00
Owned by the public authority	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. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. 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.

APPENDIX B

Schedule No. PD-1

Palmdale Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated areas known as Palmdale Poultry Ranchos (Tract No. 15497) and East Palmdale Ranchos (Tract No. 8597) in the vicinity of Palmdale, Los Angeles County.

RATES

Per Meter
Per Month

Quantity Rates:

First 800 cu.ft. or less	\$ 4.00
Next 4,000 cu.ft., per 100 cu.ft. ....	.40
Over 4,800 cu.ft., per 100 cu.ft. ....	.30

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 4.00
For 3/4-inch meter	4.50
For 1-inch meter	5.00
For 1 1/2-inch meter	10.00
For 2-inch meter	15.00

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