

ORIGINAL

Decision No. 68829

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Charles L. Campodonico,)
 Silvia C. Smith, Marguerite E. Sampson,)
 Alma E. Anderson, Victoria M. Maretti.)
 Virginia Hourihan, Doris F. Metz, and)
 Edward H. Campodonico, dba Campodonico)
 Waterworks for Authority to Increase)
 Rates for Water Service in the City of)
 Guadalupe and Vicinity, Santa Barbara)
 County.)

Application No. 46911
(Filed August 21, 1964)

OPINION AND ORDER

Applicants seek increases in rates of about 57 per cent for both flat rate and metered water service. Applicants' present rates became effective September 1, 1964, pursuant to authority contained in Decision No. 67550, dated July 21, 1964, in Application No. 45917.

A Commission staff engineer and a Commission staff financial expert have conducted an investigation and have prepared a joint report covering the changes affecting applicants' operations which have taken place since the hearing in Application No. 45917 on April 7, 1964. The staff report is hereby received as Exhibit 1.

According to Exhibit 1, interviews with customers, the Santa Maria Chamber of Commerce, and the Superintendent of Schools of Guadalupe revealed that there has been a general decrease in population in the area because of the cutback in construction at the Vandenberg Air Force Base. This has resulted in a loss of

66 flat rate customers by applicants since the April 7, 1964, hearing which led to establishment of the present rates. As of October 31, 1964, applicants were serving 816 flat rate and 17 general metered service customers. The staff anticipates no significant changes in numbers of customers in the near future. Exhibit 1 herein modifies, to reflect current conditions, the 1964 estimated results of operation data contained in the staff report, which was also designated as Exhibit 1 in Application No. 45917.

A tabulation of the staff's estimates under present rates and a comparison of applicants' and the staff's estimates under applicants' proposed rates for the test year 1964 may be summarized as follows:

<u>Item</u>	<u>Present Rates</u>	<u>Applicants' Proposed Rates</u>	
	<u>CPUC Staff</u>	<u>Applicants</u>	<u>CPUC Staff</u>
Operating Revenues	\$32,240	\$46,800	\$48,340
Operating Revenue Deductions			
Operating Expenses	21,830	30,201	21,830
Depreciation Expense	3,060	4,000	3,060
Taxes Other Than Income	2,250	1,565	2,250
Income Taxes	320	3,200	3,780
Total Deductions	27,460	38,956	30,920
Net Revenues	4,780	7,834 (a)	17,920
Rate Base (depreciated)	88,600	101,207	88,600
Rate of Return	5.4%	7.7%	20.2%

(a) Applicants incorrectly show this as \$7,093 at an alleged 7% rate of return.

We see no reason to burden this opinion with a discussion of the differences between applicants' and the staff's estimates. The staff's estimates of operating revenues, operating expenses, depreciation expense, taxes and rate base are consistent with those used in the prior study and they have been revised only to reflect the changed conditions which have resulted primarily from the decrease in number of customers. In Decision No. 67550 we found the staff's estimates of revenues, expenses, and rate base to be reasonable. In the proceeding now before us we likewise find the staff's estimates for these items to be reasonable and will adopt them for the purposes of this proceeding.

It is clear from the evidence that because of the changed conditions applicants are in need of and entitled to increased revenues. The rates which applicants have proposed, however, would produce an excessive return. The Commission finds that, based upon the test year 1964, a rate of return of approximately 7 per cent on a rate base of \$88,600 is fair and reasonable and concludes that increased water rates should be authorized so as to produce such a return.

The increases hereinafter authorized for flat rate service and for general metered service will increase utility revenues by \$2,280 annually and will increase customers' bills generally in the range of from 8 per cent to 14 per cent.

With respect to service, the staff reports that applicants' low pressure problems within portions of the water system have been corrected by installation of an interconnecting pipeline.

Applicants were ordered by Decision No. 67550 to investigate methods of improving the quality of the water supply by deepening existing wells, drilling new wells, or acquiring existing higher quality water sources. In response to that order, applicants submitted an estimate of \$29,224 to drill and equip a new well 440 feet in depth. The staff advises that the components of the estimate were incorrectly added and that the correct total should be \$19,224. The staff report states that applicants have no definitive plans to improve the quality of their water supply. In Decision No. 67550, we stated: "Applicants are placed on notice that . . . anything less than satisfactory performance with respect to improving quality of the water . . . may engender a reopening of this proceeding and the rescinding of any or all of the revenue increases authorized herein." We reiterate that it is essential that applicants develop and place in operation a water supply meeting the standards of the State Department of Public Health and the order herein will require that applicants take such action within one year after the effective date of the order.

We find that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

We also find that applicants have not complied with ordering paragraph 3 of Decision No. 67550, which required the filing of maps. The increases authorized herein, therefore, will be contingent upon applicants' first complying with said ordering paragraph of Decision No. 67550.

We find that a public hearing is not necessary.

IT IS ORDERED that:

1. After compliance with ordering paragraph 3 of Decision No. 67550, as evidenced by the issuance by the Commission of a supplemental order, applicants Charles L. Campodonico, Silvia C. Smith, Marguerite E. Sampson, Alma E. Anderson, Victoria M. Maretti, Virginia Hourihan, Doris F. Metz, and Edward H. Campodonico, doing business as Campodonico Waterworks, are authorized to file, in conformity with General Order No. 96-A, the schedules of rates attached to this order as Appendix A. Said supplemental order will provide when said rates shall become effective.

2. Within one year after the effective date of this order applicants shall develop and place in production a suitable source or sources of water supply for their water system which water, when served, will meet the requirements of the California Department of Public Health. Applicants shall, within ninety days after the effective date of this order and every ninety days thereafter until completed, report in writing to the Commission their progress in carrying out the program for development of a suitable water supply.

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

Dated at San Francisco, California, this 30th day of March, 1965.

[Signature]
President

George H. Fowler

[Signature]

[Signature]
Commissioners

-5- Frederick B. Holoboff, Commissioner, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Guadalupe and vicinity, Santa Barbara County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charges:	
For 5/8 x 3/4-inch meter	\$ 2.00
For 3/4-inch meter	2.50
For 1-inch meter	3.25
For 1 1/4-inch meter	4.25
For 1 1/2-inch meter	5.25
For 2-inch meter	7.00
For 3-inch meter	13.00
For 4-inch meter	21.00
 Quantity Rates:	
For all water delivered, per 100 cu.ft.	\$.08 (I)

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

APPENDIX A
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Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

Guadalupe and vicinity, Santa Barbara County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
1. For a single family residential unit, or first unit of an apartment or multiple unit residence court, including premises	\$2.75	(I)
a. For each additional residential unit or apartment	1.60	
2. For each hotel or rooming house, including premises	8.75	
a. For each room in excess of five45	
3. For each small business establishment, such as a drug store, bakery, bank, garage, barber shop, and service station.	3.00	
4. For each large business establishment, and each washrack, bar, beauty shop, and cafe	4.00	
5. For each trailer park, including washroom and laundry	5.30	
a. For each trailer space65	(I)

SPECIAL CONDITIONS

1. All service not covered by the above classifications shall be furnished only on a metered basis.
2. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.