

**ORIGINAL**

Decision No. 69031

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SUNSET BEACH-SURFSIDE )  
 WATER COMPANY, a corporation, for )  
 authority to increase its public )  
 utility water rates. )

Application No. 47054  
 (Filed October 20, 1964)

Knapp, Gill, Hibbert & Stevens, by Wyman C. Knapp,  
 and W. L. Arnold, for applicant.  
A. Judson Wray, for Sunset Beach Chamber of Commerce;  
 and Margaret Klein; protestants.  
Chester O. Newman, for the Commission staff.

O P I N I O N

By this application Sunset Beach-Surfside Water Company, a public utility water corporation, seeks authority to increase its rates for water service by a gross annual amount of \$17,720, or 87.3 percent, based on its estimated operations for the year 1965.

Public hearing was held before Examiner Warner on March 23, 1965, at Seal Beach. Two customers appeared and protested the magnitude of the increase sought in the application, and receipt of 8 letters and a petition containing 78 signatures, also protesting said increase, was noted for the record.

Applicant furnishes water for domestic and commercial purposes to approximately 600 customers, of whom about 80 percent are metered and 20 percent unmetered, in unincorporated territory of Orange County, southeast of Seal Beach. Huntington Harbor Corporation, a real estate development company, presently engaged in the development and sale of a large subdivision adjacent to applicant's service area, owns all of applicant's capital stock. The service area is almost 100 percent built up, with an average annual growth of 7 customers during the past 11 years.

The application is based on the allegation that estimated net operating income for the normalized test year 1965 will result in a loss at the presently published and effective rates.

The following tabulation compares the present rates which have been in effect since November 1, 1953, with those proposed in the application and with the rates authorized hereinafter:

COMPARISON OF PRESENT, PROPOSED AND AUTHORIZED RATES

Residential Flat Rate Service

	<u>Present</u>	<u>Per Service</u>	
		<u>Proposed</u>	<u>Authorized</u>
Per single-family residence for initial 6-mo. period	\$15.00	\$22.50	\$21.90
Per single-family residence taking continuous service following initial 6-mo. period per month.	2.10	3.75	3.65

General Metered Service

<u>Quantity Charge</u>	<u>Per Meter*for Init. 6-mo. per.</u>		<u>Per Meter*for cont. serv. fol. init. 6-mo. per.</u>	
	<u>Pres.</u>	<u>Prop. Authd.</u>	<u>Pres.</u>	<u>Prop. Authd.</u>
1st 750 cu.ft. or less	\$13.50**		\$1.90	
Next 750 cu.ft., per 100 cu.ft.			0.15	
Over 1500 cu.ft., per 100 cu.ft.			0.12	
1st 500 cu.ft. or less	\$21.00#	18.00#	3.50	3.00
Over 500 cu.ft., per 100 cu.ft.			0.25	.25

\* For 5/8 x 3/4 inch meter.

\*\* Includes 750 cu.ft. of water per month.

# Includes 500 cu.ft. of water per month.

The record shows that average monthly consumption per customer is about 1200 cubic feet. At the present general metered service rates the charge for such consumption would be \$2.69; at the proposed rates, \$5.25, an increase of 95.2%; and at the authorized rates, \$4.75, an increase of 76.6%.

Applicant metered 125 services during 1964 and intends to meter all new services and approximately 10 unmetered services annually.

The earnings data contained in Exhibit B submitted by applicant and Exhibit No. 1 submitted by a Commission staff accountant and a staff engineer for the year 1965 estimated at present and proposed rates are summarized in the following tabulation together with the results which would be produced by the authorized rates:

SUMMARY OF EARNINGS

Item	<u>Year 1965 Estimated</u>				<u>Authorized Rates</u>
	<u>Present Rates</u>		<u>Proposed Rates</u>		
	<u>Per Co.:</u>	<u>Per PUC:</u>	<u>Per Co.:</u>	<u>Per PUC:</u>	
	<u>Ex.B</u>	<u>Ex.No.1</u>	<u>Ex.B</u>	<u>Ex.No.1</u>	
Operating Revenue	\$20,300	\$20,460	\$38,020	\$38,470	\$35,450
Oper. Exp.	23,305	19,470	23,305	19,470	19,470
Depreciation	3,705	3,810	3,705	3,810	3,810
Taxes	1,775	1,470	3,505	4,310	3,480
Subtotal	28,785	24,750	30,515	27,590	26,760
Net Revenue	(8,485)	(4,290)	7,505	10,880	8,690
Rate Base	121,400	117,400	121,400	117,400	117,400
Rate of Return	Loss	Loss	6.2%	9.3%	7.4%

(Red figure)

The significant differences between applicant's estimates of the rate of return components and those submitted by the staff are in payroll and regulatory Commission expenses and in rate base.

In addition to the \$700 per month paid to the superintendent, applicant included \$4,800 in payroll for 1965 for a relief man and assistant to the superintendent. Applicant presently pays \$100 per month for part-time help to assist the

superintendent. The staff recommended the inclusion of \$2,400 for a relief man.

The staff prorated the estimated costs of the instant rate proceeding, amounting to \$3,920, over a 7-year period; applicant prorated such estimated cost, amounting to \$5,000, over a 5-year period. The difference between staff's \$560 annual expense and applicant's \$1,000 annual expense is caused by two factors: (1) applicant's records were in poor condition so that numerous accounting adjustments had to be made by a public accountant in preparing this rate case to reflect unrecorded retirements and other necessary corrections; the staff contended that costs incurred to correct past accounting records should not be borne by present and future rate payers, and total estimated amount of the applicant's estimated costs was not included by the staff for rate-making purposes; and (2) since applicant's last rate proceeding was in 1953, the 7-year proration period was recommended by the Commission staff.

Applicant's superintendent lives in a company-owned house at no expense to him and applicant included not only the estimated electricity, gas and telephone expenses necessary for its small office but also included utility expenses for the superintendent's house in the rear of the office and included the house in its estimated rate base for the year 1965. The staff excluded the house and the utility expenses association therewith because the superintendent's \$700 monthly salary was considered to be adequate for a utility of this size and nature of operation. The record shows that whereas in the past the superintendent was required to spend many hours maintaining and repairing the system, nearly all of applicant's distribution mains have been replaced within the last 5 years and the system, which operates automatically, now requires and will require little maintenance or repair.

The record shows that applicant's water service has been excellent.

The Commission finds that:

1. The revenues from applicant's present rates for water service will not cover applicant's estimated operating expenses for the test year 1965; those present rates are inadequate, and applicant is entitled to financial relief.

2. The rates proposed in the application would produce an excessive rate of return.

3. The rate of return components estimated by the Commission staff for the test year 1965 at the rates hereinafter authorized, and the resultant rate of return of 7.4 percent, are reasonable and reasonably represent the results of applicant's operations for the purposes of this proceeding.

4. The increases in rates and charges authorized herein are justified, and they are reasonable. The present rates and charges, in so far as they differ from those herein prescribed, are for the future unjust and unreasonable.

Based on the foregoing findings it is concluded that the application should be granted in part and denied in part, and that applicant should be authorized to file new schedules of rates which will produce estimated gross annual revenues of \$35,450 for the test year 1965, an increase of \$14,990 or 73.3 percent over the present rates, but \$3,020 less than the increase sought.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Sunset Beach-Surfside Water Company is authorized to file the revised rate

schedules attached to this order as Appendix A. Concurrently therewith, applicant shall cancel by appropriate advice letter all its presently effective schedules. Such filing of revised rates and cancelling of present rates shall comply with General Order No. 96-A. The effective date of the revised schedules shall be June 1, 1965, or four days after the date of filing, whichever is later.

2. Within forty-five days after the effective date of this order, applicant shall file a revised tariff service area map, appropriate general rules, and sample copies of printed forms that are normally used in connection with customers' services. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

3. Applicant shall prepare and keep current the system map required by paragraph I.10.a of General Order No. 103. Within ninety days after the effective date of this order, applicant shall file with the Commission two copies of this map.

4. For the year 1965, applicant shall determine the depreciation rate for each depreciable primary plant account by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the difference by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. Until review indicates otherwise, applicant shall continue to use these rates.

Applicant shall review its depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. The results of each review shall be submitted promptly to the Commission.

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

Dated at San Francisco, California, this 11<sup>th</sup> day of MAY, 1965.

[Signature] President  
George J. Hoover  
[Signature]  
[Signature] Commissioners

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

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

(L)

APPLICABILITY

Applicable to all metered water service.

(L)

TERRITORY

The areas known as Sunset Beach and Surfside Colony,  
and vicinity, orange County.

(T)

(T)

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 500 cu. ft. or less .....	\$ 3.00	(I)
Over 500 cu. ft., per 100 cu. ft. ...	.25	
 Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 3.00	(I)
For 3/4-inch meter .....	4.00	
For 1-inch meter .....	6.00	
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.

(N)

(N)

(Continued)



Schedule No. 1

GENERAL METERED SERVICE  
(Continued)

SPECIAL CONDITIONS

1. Minimum charges for initial six-month period are payable in advance.

2. Any consumer who has established his permanency by having paid the initial six-month period minimum charge in advance may continue service on a monthly basis thereafter as set forth above.

3. Should service be discontinued, either at the consumer's request or for non-payment of bills, the consumer will be required to re-establish permanency by paying in advance the initial six-month period minimum charge as set forth above.

4. The charge for water consumed in excess of the monthly quantity allowed under any minimum charge will be charged for at the quantity rates and will be payable upon presentation of the monthly bill for such excess quantity.

Schedule No. 2RL

LIMITED RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential flat rate water service.

TERRITORY

The areas known as Sunset Beach and Surfside Colony, and vicinity, Orange County.

RATES

	<u>Per Service Connection</u>
Per single family residence for initial six-month period .....	\$21.90
Per single family residence taking continuous service following initial six-month period, per month .....	3.65

SPECIAL CONDITIONS

1. Charges for flat rate service are payable in advance.
2. Any consumer who has established permanency by having paid the initial six-month period charge in advance may continue service on a monthly basis thereafter as set forth above.
3. Should service be discontinued, either at the consumer's request or for nonpayment of bills, the consumer will be required to re-establish permanency by paying the initial six-month period charge as set forth above.
4. Service under this schedule shall be limited to the premises being served thereunder as of the effective date of this tariff sheet.
5. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.
6. This schedule shall be effective only until such time as meters are installed on all customers' services and will thereafter be withdrawn.