

ORIGINAL

Decision No. 70894

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
STINSON BEACH WATER COMPANY, a)
corporation, under Section 454 of)
the Public Utilities Code, for)
authority to increase rates for)
water service.)

Application No. 47985
(Filed October 21, 1965;
Amended February 15, 1966)

Verner R. Muth and George P. Leonard, for applicant.
David F. LaHue, for the Commission staff.

O P I N I O N

After due notice, public hearing in this matter^{1/} was held before Examiner Emerson on February 15, 1966.

Applicant provides water service to approximately 401 customers in the Community of Stinson Beach, Marin County, under tariffs which have been in effect since 1958. It recorded a net operating loss of \$4,032 for the year 1964 and estimated a net loss of \$8,450 for the year 1965. It seeks a gross revenue increase of approximately \$15,700 annually.

Applicant receives its water supply from George P. Leonard (Golfito Water Company) through five intakes. Applicant chlorinates the water and has a total of 660,000 gallons of storage capacity for the system. During the summer and other periods of short supply or great demand, applicant must pump water from the Steep Ravine source of its supplier. In order to further increase supply, applicant is building a dam across lower Stinson Creek and will pump water therefrom to a new 210,000-gallon storage tank which will

^{1/} Heard on a consolidated record with Application No. 47984, in which application Decision No. 70739 was issued May 24, 1966.

primarily supply the Highlands area. Applicant's distribution system contains approximately 57,000 feet of steel and cement-asbestos mains ranging in size from one- to six-inch diameter.

Applicant proposes by its amendment to its application to increase the present monthly minimum charge for general metered service from \$2.75 for the first 500 cubic feet to \$4.25 and to increase charges for amounts over the minimum by varying percentages ranging from 50 to 72 percent. With respect to flat rates (for some 215 customers), applicant proposes to increase the present annual charge of \$39 to \$63 and to establish a new flat rate charge of \$30 per year for each additional residence on the same property which may be served from the original connection. Applicant also proposes to increase charges for fire hydrant service by 25¢ and 50¢ per month, depending on the size of main involved.

While applicant's accounting records are maintained in accordance with the Uniform System of Accounts for Class "D" water utilities and are adequate for general accounting purposes, adjustments to recorded amounts (such as placing all items on an accrual basis) become necessary for rate-making processes such as those involved in this proceeding. In such respect, the Commission staff has made adjustments for actual billing of revenues and for elimination of duplicated amounts of plant. After giving due recognition to such adjustments, applicant's actual 1964 and estimated 1965 operations show the following financial results.

Results of Operation
(After Adjustments-Present Rates)

<u>Item</u>	<u>Actual 1964</u>	<u>Estimated 1965</u>
Operating Revenues		
Metered Sales	\$ 9,327	\$10,000
Unmetered Sales	8,291	8,300
Fire Hydrant Service	1,036	1,000
Total Revenues	<u>18,654</u>	<u>\$19,300</u>
Operating Expenses		
Before Taxes and Depreciation	\$16,933	\$16,950
Taxes	1,878	2,110
Depreciation	2,638	3,420
Total Expenses	<u>21,449</u>	<u>22,480</u>
Net Operating Revenues	\$(2,795)	\$(3,180)
	(Loss)	

The evidence is convincing, as the above tabulation illustrates, that applicant is in fact operating at a loss, although not of the magnitude which it alleged. The Commission finds that applicant is in need of and entitled to increased revenues.

As of December 31, 1964, applicant had a gross plant investment of \$134,717 and a net plant investment of \$99,000. Plant additions during 1965, including the new tank and its site, and the new dam, total approximately \$22,950, thus bringing applicant's present gross investment to \$157,667 and its net investment to \$119,458. These figures, reflected in a computation of rate base, produce an average depreciated rate base of \$67,600 on which applicant is entitled to earn a return during the year 1966.

A rate of return of 6-1/4 percent is reasonable for a utility of applicant's size and characteristics. We find that applicant is entitled to earn such a rate of return and that a net revenue of \$4,220 is fair and reasonable for such purpose. When reasonable operating expenses,

including the increased costs of purchased and pumped water are added thereto, a gross revenue requirement of \$29,060, or an increase of \$9,760, is indicated. The Commission finds that increased rates and charges, necessary to produce such result, are justified and that existing rates and charges, insofar as they differ from those hereinafter authorized, are for the future unjust and unreasonable.

The rates hereinafter authorized consist of a basic charge of \$4.25 per month for the first 500 cubic feet of water, with succeeding blocks of 55-40- and 30-cents per 100 cubic feet, under the metered service schedule. The flat rate schedule will be increased to \$57 per year, with the flat rate charge for an additional single-family residence on the same premises set at \$25 per year.

Stinson Beach is a community of both permanent residences and vacation homes. In addition, it attracts many short-time visitors to the recreational facilities in the area, particularly those who visit the State's beaches and parks. Literally hundreds of nonresidents descend on the area during the summer months and over holidays and long weekends when the weather encourages out-of-door activities. As a result, water for public use has been in short supply during such periods and on occasion has overtaxed the utility's water supply to the point where householders have had insufficient or no water for domestic needs. At least once in recent years, the shortage situation became so critical that the public beach facilities had to be closed in order to protect the community's fire safety. While the State has cooperated with and has assisted the utility in meeting its demands for water, even to donating \$7,500 towards the cost of a storage tank, the fact remains

that the primary duty of a public utility water system is to provide adequate service to its domestic customers. Applicant's particular attention is called to the basic requirement that no other usage may preempt the rights of domestic customers. If the short-term high demands of the State's beach facilities jeopardize domestic service, steps should be taken looking towards permanently discontinuing service to the beach facilities.

Approximately 37 of applicant's customers have communicated with the Commission, in general opposition to the rate increases proposed by applicant. Two customers, on the other hand, fully supported applicant's request. In the main, those in opposition objected to the magnitude of the proposed increase and several customers suggested that a lesser increase was warranted. Many expressed complaints about low pressure and the water shortage situation above discussed. Others objected to an "overchlorination" taste to the water. A number of owners of vacation homes compared their Stinson Beach water bills with lesser bills for equivalent or even greater usage in such localities as San Francisco and other large centers of population and suggested that special lower rates be established for occasional occupancies.

The water which applicant provides its customers is regularly tested by the health authorities. Since it comes from streams as well as from springs it must be chlorinated for the protection of the public. It is maintained potable the year around. The entire system must be maintained in operation throughout the year. Stretching the facilities for three months and shrinking them for nine months is impossible. The costs of making water available for all consumers must equitably be spread through rates.

It should not be surprising that spreading costs over 400 customers produces a higher unit rate than would result in larger communities where costs may be spread over thousands. Nothing presented in this proceeding indicates to us that the costs of operation are unreasonable or that the utility's application of its tariffs is in any way discriminatory. The rates authorized herein are fair and reasonable to the customers and the utility alike.

In order to improve the accuracy and uniformity of applicant's accounting, applicant will be required to make certain adjustments in its plant accounts and to record revenues and expenses on an accrual basis. Further, in order to up-date the tariffs and other records which it has on file with the Commission, applicant will be required to make certain filings of maps and rules which will reflect its present-day operations.

The Commission concludes that the application of Stinson Beach Water Company to increase rates should be granted to the extent set forth in the following order.

O R D E R

IT IS ORDERED that:

1. Applicant is authorized to file with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96-A, the tariffs attached to this order as Appendix A and, on not less than five days' notice to the public and to the Commission, to make said tariffs effective for water service rendered on and after August 1, 1966.

2. Concurrently with the filing hereinabove authorized, applicant shall similarly file and make effective a tariff service area map and rules governing customer relations, acceptable to this Commission, revised to reflect current practices.

3. Beginning with the calendar year 1966, applicant shall record both its operating revenues and its operating expenses on an accrual basis.

4. Within ninety days of the effective date of this order, applicant shall adjust its "utility plant", "reserve for depreciation" and "contributions in aid of construction" accounts, as of December 31, 1964, to agree with the balances thereof at that date set forth on Page 4 of Exhibit No. 5 in this proceeding and, within fifteen days thereafter shall inform this Commission in writing of the entries which it has made to accomplish the same.

5. Within 120 days of the effective date of this order, applicant shall file with this Commission four copies of a comprehensive map of its water system, drawn to an indicated scale not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the water production, storage, treatment, pumping, transmission and distribution facilities, and the location of the various water system properties of applicant.

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

Dated at San Francisco, California, this 21st day of JUNE, 1966.

Frederick B. Holdhoff
President

George T. Grover

Richard

William L. Bernard
Commissioners

APPENDIX A
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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Stinson Beach, and vicinity, Marin County.

RATES

	<u>Per Meter Per Month</u>	
Monthly Quantity Rates:		
First 500 cu.ft. or less	\$ 4.25	(T)
Next 1,000 cu.ft., per 100 cu.ft.55	
Next 1,000 cu.ft., per 100 cu.ft.40	
Over 2,500 cu.ft., per 100 cu.ft.30	
	<u>Per Meter Per Year</u>	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 51.00	(I)
For 3/4-inch meter	70.00	
For 1-inch meter	105.00	
For 1 1/2-inch meter	180.00	
For 2-inch meter	240.00	
For 3-inch meter	390.00	(I)
For 4-inch meter	600.00	(I)

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.

(Continued)

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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.

(T)

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(T)

Schedule No. 2AR

(T)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Stinson Beach, and vicinity, Marin County.

(T)

RATES

Per Service Connection
Per Year

For a single-family residential unit, including premises	\$57.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	\$25.00	(N)

SPECIAL CONDITIONS

1. For service covered by the above classifications, if the utility elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

(T)

(T)

2. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

(N)

(N)

(Continued)

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Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

3. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(T)

(T)

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Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Stinson Beach, and vicinity, Marin County.

(T)

RATES

	<u>Per Month</u>	
For each hydrant connected to a main		
2½-inch or smaller	\$1.00	(I)
3-inch	1.50	
4-inch	2.25	
6-inch	3.00	(I)

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1A, Annual General Metered Service.

2. The cost of installation and maintenance of hydrants shall be borne by the utility.

3. Relocation of any hydrant shall be at the expense of the party requesting relocation.

4. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the specific location at which each is to be installed.

(N)

(N)

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.