

ORIGINAL

Decision No. 71839

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Descanso Park Water Co. for authority to increase rates for water service near the Community of Descanso, San Diego County.

Application No. 48669
(Filed July 27, 1966)
(Amended August 26, 1966)

LeRoy J. LaFrentz, for applicant.
Mrs. Lloyd G. Simmons, for Mr. and Mrs. Edwin J. Peterson; Roy A. Silva, for Emma R. Saylor Estate; M. J. Shelton, for Dr. H. C. Merigan; J. F. Schroepfer, for Mrs. L. C. Schroepfer; Wayne C. Tilley, for Home Owners of Descanso Subdivision; and Mrs. Marge Sykes, Oscar F. Parrish, Mrs. Aniela Coleman, H. A. Faulconer, Susan Mahoney, Roy W. Day, W. D. Isbell, Elizabeth Johnson, Mrs. Ethel Hawkins, Thomas R. Fowler, Ruby C. Fowler, Henry K. Simpson, Mrs. Clarence H. Nacewander, in propria personae; protestants.
Mrs. C. W. Rock and Lou W. Butler, in propria personae; interested parties.
Chester Newman and Cass Strelinski, for the Commission staff.

O P I N I O N

LeRoy J. and Emma Lee LaFrentz, conducting business as Descanso Park Water Co., seek authority to increase their rates for flat and general metered service in Descanso Park and Descanso Park Terrace in unincorporated territory of southeastern San Diego County.

Public hearing was held before Examiner Warner on November 22, 1966, at Descanso. Some 44 customers attended. They complained of excessively dirty water and water outages, and many testified that they would not object to a reasonable increase in rates if water service were improved.

Applicants furnish water service to a total of 149 customers of which 60 are in Descanso Park (45 metered, 15 flat rate); 80 are in Descanso Park Terrace (60 metered, 20 flat rate); and 9 are in Valley of the Oaks (all flat rate).

Applicants' present flat rate in Descanso Park, which has been in effect since June 1, 1957, is \$6.00 per month, and in Descanso Park Terrace, \$3.30 per month. Rates in the latter area were inherited from Klauber Wangenheim Co. (KW) and had been charged by the latter for many years on an unauthorized basis. Upon acquisition by applicant of the KW system in 1961, the former KW rates were retained until system improvements were made.

Applicants have been charging a flat rate of \$10 per month to their 9 customers in Valley of the Oaks which they propose to maintain, but which is proposed by the staff to be reduced to the same rate charged in the other areas.

Applicants propose to increase the Descanso Park and Descanso Park Terrace flat rates to \$7.50 per month.

In Descanso Park, applicants propose to cancel their presently filed seasonal general metered service schedule, and the present monthly minimum charge of \$6.00 per meter per month

for 600 cf or less is proposed to be changed to a service charge of \$7.50 per meter per month plus a commodity charge of 35 cents per 100 cf for the first 5,000 cf and 30 cents per 100 cf for all water used in excess of 5,000 cf. In Descanso Park Terrace, applicants propose to cancel their annual residential flat rate charge, and the monthly minimum charge of \$3.30 per meter per month for 300 cf, or less, is proposed to be changed to a service charge of \$7.50 per meter per month plus the aforesaid commodity charges.

The record shows that applicants have been sustaining annual operating losses which, for the year 1965, amounted to \$2,944.50.

Exhibit No. 2 is a report on the application submitted by a Commission staff engineer and a Commission staff accountant. Said report contains the following estimated results of operation for the year 1967:

Item	Present Rates	Proposed Rates
<u>Operating Revenues</u>		
Metered Sales	\$ 7,650	\$12,290
Unmetered Sales	3,110	3,960
	10,760	16,250
<u>Operating Expenses</u>		
Depreciation	7,520	7,520
Taxes	3,000	3,000
	850	1,980
Total Operating Expenses	11,370	12,500
Net Revenue	(610)	3,750
Rate Base	70,010	70,010
Rate of Return	-	5.4%

(610) Red Figure

The staff recommended that the rates proposed by applicants be modified to make the service charges and quantity rates for metered service reasonably compatible with the flat rate charges, and rates for all of the three present tariff and service areas should be standardized. The staff also recommended the following utility plant improvements:

- a. Install 800 feet of 4-inch main along Reservation Drive and Summit Lane between the ranger station meter and the 38,000-gallon tank.
- b. Install 300 feet of 4-inch main on Cypress Lane.
- c. Install 950 feet of 4-inch main on Oak Lane and a portion of Oak Grove Drive.
- d. Complete planned office construction.

At the hearing, applicants withdrew their request contained in the amendment to the application to apply a five percent surcharge for those bills unpaid 15 days after due date and withdrew their request for a handling charge of 25 cents per bill for bills of \$5.00 or less. In Exhibit No. 2 the staff recommended against the granting of such requests.

Many of applicants' customers are weekend or seasonal residents and some of them asked that the Commission consider establishing seasonal rates.

The record shows that the excessive water discoloration in most cases is caused by dormant waters in customers' service lines. Applicants conduct an extensive and thorough main flushing operation between 7:00 a.m. and 11:00 a.m. every other Thursday.

This progresses downhill from the reservoirs and should draw off mud and foreign matters in the distribution mains caused by repairs and possibly by some interior disintegration of water mains, which are to be expected. Water users who turn on their taps, frequently, especially after any long period of nonuse, find a gush of dirty water which usually dissipates within minutes. LaFrentz testified that he, together with his local operator, were making every effort to provide good, clean potable water at satisfactory pressures; he had invested about \$22,000 of his funds to keep the utility operating and effect repairs; he hoped to install meters on all service connections to the extent that he was able to finance their installation; and he would personally investigate the complaint of dirty water with the hope that the causes could be determined and quickly eliminated.

The Commission finds as follows:

1. Applicants have been experiencing annual operating losses; their recorded expenses are not unreasonable; and the revenues produced by the present rates have been inadequate.
2. The rates proposed in the application which, after considering and adopting the modifications recommended by the Commission staff in Exhibit No. 2 will produce a rate of return of 5.4 percent on a rate base of \$70,010 for the estimated year 1967, are reasonable.
3. The staff recommendations contained in Exhibit No. 2 are reasonable, and applicants should be directed to carry them out.

The difference between the cost of installing 800 feet of 4-inch main as contained in recommendation a., and a 2-inch main, as suggested by applicants, is nominal when compared with the ultimate benefits of the larger size main.

4. Establishment of a seasonal rate is unwarranted inasmuch as seasonal users should bear their burden occasioned by the utility's requirement to provide water service any time, on call, during any season. This burden will be borne through the annual charges authorized.

5. The increases in rates authorized herein are just and reasonable and insofar as the authorized present rates differ from applicants' present rates the latter are unjust and unreasonable.

The application should be granted.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicants LeRoy J. LaFrentz and Emma Lee LaFrentz, are authorized to file the revised rate schedules attached to this order as Appendix A. Concurrently, applicants shall cancel their presently effective rates. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be February 1, 1967, or four days after the date of filing, whichever is later. The revised schedules shall apply only to service rendered on or after the effective date thereof.

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2. Within forty-five days after the effective date of this order, applicants shall file a revised tariff service area map to include all areas presently served.

3.a. Prior to December 31, 1967, applicants shall have completed the improvements recommended by the Commission staff in Exhibit No. 2 as outlined in the preceding opinion, and shall have so notified the Commission, in writing, within ten days after completion thereof.

3.b. Applicants shall, within thirty days after the effective date hereof, submit to the Commission in writing a report on the results of their investigation of the complaints of dirty water, together with the results of methods employed to eliminate the causes and to prevent their reoccurrence.

4. For the year 1967, applicants shall apply a depreciation rate of 3.0 percent to the original cost of depreciable plant. Until review indicates otherwise, applicants shall continue to use this rate. Applicants shall review their depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to the Commission.

5. Applicants 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, applicants shall file with the Commission two copies of this map.

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

Dated at San Francisco, California, this 17th day of JANUARY, 1967.

Robert E. Mitchell
President

Augustin

William A. Bennett

Commissioners

APPENDIX A
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Schedule No. 1A

(C)

ANNUAL GENERAL METERED SERVICE

(C)

APPLICABILITY

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

TERRITORY

Descanso and vicinity, San Diego County.

(T)

RATES

Annual Service Charge:

	<u>Per Meter Per Year</u>	
For 5/8 x 3/4-inch meter	\$ 79.20	(C) ----- (C) (N)
For 3/4-inch meter	90.00	
For 1-inch meter	120.00	
For 1 1/2-inch meter	156.00	
For 2-inch meter	216.00	
For 3-inch meter	396.00	

Quantity Rate:

	<u>Per Meter Per Month</u>	
Per 100 cu. ft.	\$ 0.43	(C)

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

(C)

SPECIAL CONDITIONS

1. The annual service 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 service 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)

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service 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.

(N)

(N)

Schedule No. 2AR (C)

ANNUAL RESIDENTIAL FLAT RATE SERVICE (C)

APPLICABILITY

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

TERRITORY

Descanso and vicinity, San Diego County. (T)

RATES

	<u>Per Service Connection Per Year</u>	
For a single-family residence	\$90.00	(I)

SPECIAL CONDITIONS

1. The above flat rate applies to a service connection not larger than one-inch in diameter. (T)

2. All service not covered by the above classification shall be furnished only on a metered basis.

3. 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. 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)

4. 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)

(Continued)

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

5. 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.

(N)

(N)