

ORIGINAL

Decision No. 72990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of the Southern California Water
Company for an order authorizing
it to increase the rates and
charges for water service in its
Big Bear District.

Application No. 49128
(Filed February 2, 1967)

O'Melveny & Myers, by William J.
Bogaard, for applicant.
Ralph D. Plaisted, Herman James
Hansen, E. R. Nay, and Leo E.
Fenderson, in propria personae,
protestants.
Cyril M. Saroyan, Counsel, and
Chester O. Newman, for the
Commission staff.

O P I N I O N

Southern California Water Company seeks authority to increase its rates for water service in the Bear Valley Zone of its Big Bear District by a gross annual amount of approximately \$16,000 or 11.5 percent over the revenues which would be produced by the present rates in said Zone based on its earnings estimates for the year 1967. No increase is sought in the Sugarloaf^{1/} or Rimforest Tariff Areas of the Big Bear District, and only seasonal or nonpermanent customers in the Bear Valley Zone would be affected by this application.

^{1/} Although directed by the Commission to notify only customers affected by the application, the applicant inadvertently mailed notices to customers in the Sugarloaf tariff area, and said notices elicited some written response noted hereinafter and the attendance of several customers at the hearing where they were advised by the presiding officer that a change in their present rates was not under consideration.

Also contained in the application is a request for a surcharge representing an increase to offset suspension of the Investment Tax Credit. The record shows that on June 14, 1967, said suspension was terminated by Congress. Therefore, no consideration of said request is necessary.

Public hearings were held before Examiner Warner on June 13 and 14, 1967, at Big Bear Lake where five customers appeared to protest the application, and the receipt of ten letters was noted on the record. Of said letters, eight were from customers in Sugarloaf and two protested the proposed increase in the Bear Valley Zone. The matter was submitted subject to the receipt of late-filed Exhibits Nos. 2A, 10 and 11. Exhibit No. 11, which was to have been a statement by a customer protestant, was not received by the designated date of June 26, 1967, but this customer's complaint was the subject of Exhibit 10, a report on an investigation of the complaint by the applicant accompanied by Commission staff engineers. The matter is now ready for decision.

As of December 31, 1966, applicant was furnishing water service to 2,521 domestic and commercial customers and 128 fire hydrants were connected to its system in the Bear Valley Zone.^{2/} It was estimated that an additional 115 customers would be added during 1967.

^{2/} Exhibits Nos. 2, 3 and 7 are reports on applicant's company-wide operations received in evidence as Exhibits Nos. 3, 5 and 7, respectively, in Application No. 48563. They and the testimony therein, together with the testimony of applicant's financial and investment consultant, and its president, in the aforementioned proceedings on Application No. 48563, were incorporated herein by reference. In Decision No. 72350, dated May 2, 1967, in Applications Nos. 48563 and 48997, there is a discussion of company-wide operations and earnings together with findings of fact with respect thereto.

Applicant seeks authority to increase the minimum charges now in effect under its Schedule BV-1S, Seasonal General Metered, and BV-1SO, Optional Seasonal General Metered by transferring nonpermanent customers to its present BV-1, General Metered Service schedule and to file a new Schedule BBL-1, General Metered Service, applicable to all customers in the Bear Valley Tariff Area. Said schedule would increase the present \$8.00 turn-on charge to \$12.00. Said turn-on charge is now applicable to seasonal customers in lieu of paying an annual minimum charge. Although no increase is proposed for general metered service for customers in the Sugarloaf and Rimforest Tariff Areas, applicant proposes to revise its present general service schedule in the Rimforest Area for the stated purpose of clarifying the conditions of that schedule and to change the Sugarloaf and Rimforest schedules from an annual basis to a monthly basis.

Also proposed is an increase in fire sprinkler service from \$1.00 per month per inch diameter of service connection to \$2.00 per month thus making the charge uniform throughout the Big Bear District.

The effect of the proposed rate increases, except for the increase in fire sprinkler service charge, would only be to change the minimum charges applicable to nonpermanent customers and to increase the turn-on charge if a customer exercised his option in the present schedule, No. BV-1SO, Optional Seasonal General Metered Service.

Exhibit No. 4 contains the following comparison of monthly charges for water service under present and proposed general metered service rates for Schedule No. BV-1S:

<u>Consumption in Cu. Ft.</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Increase</u>	
			<u>Amount</u>	<u>Per Cent</u>
0	\$2.00	\$3.00	\$1.00	50
100	2.00	3.00	1.00	50
200	2.00	3.00	1.00	50
300	2.50	3.00	.50	20
400	3.00	3.00	.00	00

For all consumption over 400 cubic feet there is no increase in rates.

The Commission staff recommended against authorization of any turn-on charge and submitted as page 1 of Appendix A in Exhibit No. 8 its recommended Schedule BBL-1A, Big Bear Tariff Area, Bear Valley Zone, Annual General Metered Service. Said recommended schedule provided for an annual minimum charge of \$36.00 for a 5/8 X 3/4-inch meter, and annual charges for larger sized meters, with the special condition that if a resident of the area has been a customer of the utility for the last 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 in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge.

The record shows that meters are read and bills are rendered monthly in the Bear Valley Zone. If meters were read

bimonthly, the charge would be computed by doubling the number of cubic feet to which each block rate is applicable on a monthly basis.

Exhibit No. 4, supra, is a report on the results of operations for applicant's Big Bear Water District submitted by its senior vice president and treasurer, its operating vice president and general manager, and a rate expert. Exhibit No. 8 is a report on the results of operation of the Big Bear District (Water) submitted by a Commission staff engineer and a Commission staff financial examiner. The Bear Valley Zone earnings data contained in said Exhibits are summarized in the following tabulation:

SUMMARY OF EARNINGS

BEAR VALLEY ZONE

Item	Year 1966	Year 1967 Estimated			
	Adjusted	Present Rates		Proposed Rates	
	Per PUC	Per Co.	Per PUC	Per Co.	Per PUC
	Ex. 8	Ex. 4	Ex. 8	Ex. 4	Ex. 8
(Thousands of Dollars)					
Operating Revenues	\$138.7	\$140.2	\$144.1	\$156.3	\$159.9
Operating Expenses	68.9	75.3	71.9	75.3	71.9
Depreciation	21.3	21.2	22.1	21.2	22.1
Taxes	13.2	11.5	15.1	19.7	23.3
Subtotal	103.4	108.0	109.1	116.2	117.3
Net Oper. Revenues	35.3	32.2	35.0	40.1	42.6
Rate Base	572.8	592.4	576.0	592.4	576.0
Rate of Return	6.2%	5.4%	6.1%	6.8%	7.4%

Analysis of the evidence on the components of the estimated rate of return for the year 1967 for the Bear Valley

Zone at present and proposed rates discloses only minor differences between the estimates submitted by the applicant and the staff. For the most part, the differences are attributable to the fact that the applicant prepared its estimates during the latter part of the year 1966 before its recorded data for the calendar year 1966 were available, whereas the staff had available to it said recorded data.

The staff estimated that maintenance of wells would amount to \$50 per well, of which there are six, for a total of \$300 for this type of expense per year. The applicant estimated a total of \$775 based on the fact that two, and possibly three, of the wells might have to be exploded every three years at a cost of \$1,000 per well.

The applicant based its estimate of customer accounts expenses on recorded data which included data processing costs, whereas the staff's estimates reflected certain anticipated economies associated with the use of electronic data processing equipment in the general office. The record shows that said economies have not been realized, but the staff contended that such nonrealization of economies should not burden rate payers.

The company's estimate of regulatory Commission expense was based on its allocation of such expense, including the cost of the instant proceeding, over a three-year period, whereas the staff allocated such cost over a five-year period in the future. The company contended that it was following the method adopted by the Commission in Decision No. 72350, supra, in the Culver City

District. The record herein shows that the last increase granted in the Bear Valley District was in the year 1952. The record shows further that there are inherent escalations in costs of water that exist in the Culver City District by reason of announced increases in such costs by the Metropolitan Water District which does not sell water to the applicant in Big Bear.

Finally, a controversial difference is disclosed by the evidence on the estimates of materials and supplies properly includable in rate base. The applicant's estimate of \$37,000 was based on a three-year average of inventories, whereas the staff's estimate of \$17,000 was based on \$7.00 per customer which is double the amount estimated for and adopted by the Commission in Decision No. 72350, supra, the Culver City District.

Exhibit No. 2A shows that at the present rates before the increase authorized for Culver City, the company's over-all rate of return was 5.65 percent, and after giving effect to the rates authorized by Decision No. 72350, supra, and the increases in rates proposed herein for 12 months, the over-all rate of return would be 5.80 percent.

The Commission staff recommended that any revised rate schedules authorized in this proceeding should conform to current tariff practice of the Commission; that rates should be on an annual basis in all zones of the Big Bear District; that applicant should be required to revise its present tariff schedule No. AA-4, Fire Sprinkler Service, to provide for the exclusion therefrom of the Big Bear Tariff Area, if an increase in the rate for fire sprinkler service is authorized in this proceeding; and that applicant's proposal to maintain and increase the turn-on charge for seasonal customers should be denied. The staff also made certain recommendations with respect to depreciation rates.

The Commission finds as follows:

1. The rates of return of 5.4 percent and 6.1 percent estimated by the company and by the Commission staff, respectively, which would be produced by Southern California Water Company's present water rates for the Bear Valley Zone of its Big Bear District for the year 1967 estimated as shown in Exhibits Nos. 4 and 8, are deficient and unreasonable and applicant is entitled to financial relief.

2. The differences between the earnings estimates for the year 1967 at present and proposed rates submitted by the company and the Commission staff are so nominal that dollar adjustments to the estimates contained in Exhibits Nos. 4 and 8 are not warranted. However, the Commission should adopt the principles of the company's method of estimating maintenance of wells expense; the principles of the staff's method of estimating customers accounts expense; and the principles of the staff's method of estimating regulatory Commission expense; and should reject the principles of the company's estimate of materials and supplies for the rate base as being \$12,000 too high and the principles of the staff's estimate of \$17,000 as being \$8,000 too low.

3. The rates of return which would be produced by the rates of return of 6.8 percent and 7.4 percent proposed in the application, as estimated by the company and the Commission staff, respectively, for the year 1967, are reasonable.

4. The suspension of Investment Tax Credit has been terminated and the request for the surcharge therefor can be and is disregarded.

5. Rates of return of 6.8 or 7.4 percent on applicant's Bear Valley Zone operations in its Big Bear District will not cause an excessive rate of return on applicant's over-all operations.

6. Applicant's proposal to increase its rates for fire sprinkler service from \$1.00 per inch diameter of service connection per month to \$2.00 per inch diameter of service connection per month is reasonable.

7.a. Applicant's proposal to maintain a turn-on charge for seasonal customers, even on an optional basis, and to increase such charge from \$8.00 to \$12.00 is unreasonable.

b. The annual minimum charge compensates the company for standing by to render service on call and includes consideration of the costs associated with turn-ons and turn-offs.

c. Applicant should be directed to read meters and render bills on a bimonthly basis. This will allow carry-over of the unused minimum quantity from the first month to the second during any bimonthly period, thus giving weekend and seasonal customers greater flexibility in the use of their water service.

8. The recommendations of the Commission staff are reasonable and are implemented in the order which follows.

9. The increases in rates authorized hereinafter are just and reasonable and insofar as they differ from present rates, the latter are unjust and unreasonable.

It is concluded that the application, except for the suspension of Investment Tax Credit surcharge, should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southern California Water Company is authorized to file for its Big Bear Tariff Area the schedules of rates attached hereto as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be September 16, 1967, or four days after the date of filing, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof. Concurrently, applicant shall cancel its presently effective Tariff Sheets Nos. 531-W, 711-W, 242-W, 243-W, 244-W, 606-W, 700-W and 701-W and shall revise its present Schedule No. AA-4, Fire Sprinkler Service, to exclude therefrom the Big Bear Tariff Area.

2. For the year 1967, applicant shall apply the depreciation rates for its Big Bear District set forth in Table 9-A of Exhibit No. 8. Until review indicates otherwise, applicant shall continue to use these rates. Applicant shall review its depreciation rates for the Big Bear District by the straightline remaining life method

A. 49128 HJH *

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 twenty days after the date hereof.

Dated at San Francisco, California, this 29th day of AUGUST, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
Page 1 of 11

Schedule No. BBL-1A (T)
Big Bear Tariff Area (N)
Bear Valley Zone (N)
ANNUAL GENERAL METERED SERVICE (T)

APPLICABILITY

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

TERRITORY

The community of Big Bear Lake, and vicinity, San Bernardino County. (T)

RATES

Monthly Quantity Rates:

	Per Meter Per Month
First 400 cu.ft. or less	\$ 3.00
Next 600 cu.ft., per 100 cu.ft.50
Next 14,000 cu.ft., per 100 cu.ft.35
Over 15,000 cu.ft., per 100 cu.ft.20

Annual Minimum Charge:

	Per Meter Per Year
For 5/8 x 3/4-inch meter	\$ 36.00
For 3/4-inch meter	48.00
For 1-inch meter	72.00
For 1½-inch meter	120.00
For 2-inch meter	180.00
For 3-inch meter	300.00
For 4-inch meter	480.00
For 6-inch meter	780.00
For 8-inch meter	1,080.00

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)

(C)

(C)

Schedule No. BBL-1A (T)
Big Bear Tariff Area (N)
Bear Valley Zone (N)
ANNUAL GENERAL METERED SERVICE (T)
(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month (C) 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.
2. The opening bill for metered 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 refunds of the initial annual charges shall be due the customer. (C)
3. Meters will be read and bills for metered service will be rendered at intervals of not less than two months. (N)
(N)

Schedule No. BBR-1A (T)

Big Bear Tariff Area (N)

Rimforest Zone (N)

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Rimforest and vicinity, approximately three miles southwesterly of Lake Arrowhead, San Bernardino County. (T)
(T)

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:	
First 300 cu.ft. or less	\$ 6.00
Over 300 cu.ft., per 100 cu.ft.60

	<u>Per Meter</u> <u>Per Year</u>
Annual Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 72.00
For 1-inch meter	84.00
For 1 1/2-inch meter	120.00
For 2-inch meter	204.00

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)

Schedule No. BBR-LA (T)
Big Bear Tariff Area (N)
Rimforest Zone (N)
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. (C)
2. The opening bill for metered 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. (C)
3. Meters will be read and bills for metered service will be rendered at intervals of not less than two months. (N)
(N)

Schedule No. BBS-1A (T)

Big Bear Tariff Area

Sugarloaf Zone (N)

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Sugarloaf and vicinity, San Bernardino County. (T)

RATES

	Per Meter Per Month	
Monthly Quantity Rates:		
First 900 cu.ft. or less	\$ 6.00	(C)
Next 900 cu.ft., per 100 cu.ft.63	
Next 1,500 cu.ft., per 100 cu.ft.45	
Next 3,300 cu.ft., per 100 cu.ft.30	
Over 6,600 cu.ft., per 100 cu.ft.25	(C)

	Per Meter Per Year	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 72.00	
For 3/4-inch meter	86.00	
For 1-inch meter	104.00	
For 1 1/2-inch meter	124.00	
For 2-inch meter	180.00	

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. (T)
(T)

(Continued)

Schedule No. BBS-1A

(T)

Big Bear Tariff Area

Sugarloaf Zone

(N)

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.

(C)

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.

(C)

3. Meters will be read and bills for metered service will be rendered at intervals of not less than two months.

(N)

(N)

Schedule No. BBS-2AR (T)

Big Bear Tariff Area

Sugarloaf Zone (N)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Sugarloaf and vicinity, San Bernardino County. (T)

RATES

	<u>Per Service Connection</u> <u>Per Year</u>
For a single-family residential unit, including premises	\$ 72.00

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter. (T)

2. 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. BBS-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. (C)

3. 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. (Continued) (C)

Schedule No. BBS-2AR (T)

Big Bear Tariff Area

Sugarloaf Zone (N)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (Continued)

4. The opening bill for flat rate service shall be the established (C)
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. (C)

Schedule No. BB-4

Big Bear Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

All zones of the Big Bear Tariff Area, San Bernardino County.

RATE

Per Month

For each inch of diameter of service connection \$ 2.00

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the

(Continued)

Schedule No. BB-4

Big Bear Tariff Area

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Continued)

standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

Schedule No. BB-5 (T)

Big Bear Tariff Area (C)

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

All zones of the Big Bear Tariff Area, San Bernardino County. (C)

RATES

	<u>Per Month</u>
For each hydrant owned by the Company	\$ 3.00
For each hydrant owned by Fire District	1.50

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates for General Metered Service. (C)

2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.

3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.

4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system. (C)