

# ORIGINAL

Decision No. 73197

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LAKE GREGORY WATER COMPANY under Section 454 of the Public Utilities Code for authority to increase its public utility water rates.

Application No. 49165  
(Filed February 23, 1967)

Knapp, Gill, Hibbert & Stevens, by Wyman C. Knapp,  
for applicant.

Orville S. Pearce, for Landowners, Valley of the  
Moon, interested party.

Jerry J. Levander, for the Commission staff.

## O P I N I O N

Applicant Lake Gregory Water Company seeks authority to increase rates for water service.

Public hearing was held before Examiner Catey in San Bernardino on September 12, 1967. Copies of the application had been served and notice of hearing had been mailed to customers and published, in accordance with this Commission's rules of procedure. The matter was submitted on September 12, 1967.

Testimony on behalf of applicant was presented by applicant's general superintendent, consulting engineer and two accountants. The Commission staff presentation was made by an engineer and an accountant.

One customer testified. He stated that his investigation of rates of other similar utilities indicates that the application should be granted.

A motion was made on behalf of Landowners, Valley of the Moon, that the granting of any rate increase to applicant be

deferred until agreement is reached regarding repairing of roads in applicant's service area. The dispute, however, is with an affiliate of applicant, and does not relate to the obligation of applicant to repair streets after installation or repairs of mains. Under these circumstances, the motion must be denied.

Service Area and Water System

Applicant's service area consists of some 1,160 acres of territory in San Bernardino County, located in the San Bernardino Mountains adjacent to the Village of Crestline and surrounding Lake Gregory. It is primarily a resort and vacation community.

Applicant's primary sources of water supply consist of 14 horizontally drilled wells which tap springs in the area. A supplemental supply is obtained from the nearby Crestline Village County Water District (District). Water from Lake Gregory is processed through District's treatment plant before it is delivered to District's customers, including applicant.

Water from some of the wells flows, and from other wells is pumped, into storage tanks located at various elevations throughout the service area. Water purchased from District is at sufficient pressure to serve the lower portions of applicant's system without being further pumped.

The distribution system includes almost 40 miles of mains, ranging in size from 2-inch to 8-inch. There are approximately 1,100 active service connections, about 17 of which are metered and the rest unmetered.

Service

Staff Exhibit No. 2 states that no informal complaints regarding the service provided by applicant have been received by

the Commission during the last five years. Staff field investigations indicate that applicant's service complies with the requirements of General Order No. 103.

Rates and Rules

Applicant's present tariffs include rates for semiannual flat rate residential service and semiannual metered service. These rates became effective December 31, 1966 and, except for the change from annual payments to semiannual payments, were the same basic rates which had been in effect since 1959. Most of the rules included in applicant's tariffs were filed in 1941 and are somewhat outmoded.

Applicant proposes (1) to double its present rates, (2) to return them to an annual instead of semiannual basis, (3) to permit payment of annual flat rate and minimum meter charges in two installments, and (4) to prorate the annual bill when a new customer commences service during the year.

The following Table I presents a comparison of applicant's present and proposed rates:

TABLE I  
Comparison of Rates

<u>Item</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Annual* Metered Service</u>		
First 4,800# cu.ft. or less .....	\$24.00	\$48.00
Next 2,200 cu.ft., per 100 cu.ft. ....	.30	.60
Over 7,000 cu.ft., per 100 cu.ft. ....	.20	.40
<u>Annual* Flat Rate Service</u>		
Single-family residence on one lot .....	24.00	48.00
Additional single-family residence on same lot .....	18.00	36.00

\* Present semiannual rates are shown on an annual basis for purposes of comparison.

# Included in minimum charge for 5/8 x 3/4-inch meter. A graduated scale of increased minimum charges is provided for larger meters.

Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in Table II, from Exhibits Nos. 1 and 2, are the estimated results of operation for the test year 1967, under present rates and under those proposed by applicant.

TABLE II

Estimated Results of Operation, Test Year 1967

<u>Item</u>	<u>Staff</u>	<u>Applicant</u>
<u>At Present Rates</u>		
Operating Revenues	\$ 27,820	\$ 28,285
<u>Deductions</u>		
Operating Expenses	31,860	36,015
Depreciation	6,820	7,558
Taxes Other Than on Income	5,790	5,048
Subtotal	<u>44,470</u>	<u>48,621</u>
Income Taxes	100	100
Total	<u>44,570</u>	<u>48,721</u>
Net Revenues	(16,750)	(20,436)
Rate Base	154,700	154,260
Rate of Return	Loss	Loss
<u>At Rates Proposed by Applicant</u>		
Operating Revenue	\$ 55,720	\$ 55,226
<u>Deductions</u>		
Excluding Income Taxes	44,470	48,621
Income Taxes	2,800	1,138
Total	<u>47,270</u>	<u>49,759</u>
Net Revenue	8,450	5,467
Rate Base	154,700	154,260
Rate of Return	5.5%	3.54%

(Red Figure)

The principal differences between the estimates presented by the applicant and those presented by the Commission staff are in operating expenses and depreciation. Inasmuch as the rate of return is not excessive under either applicant's or the staff's estimates, there is no need to discuss or resolve the differences.

### Depreciation

Although the level of depreciation expense and reserve are not issues of sufficient magnitude to affect the decision on the requested water rate increase, the initiation of remaining-life depreciation as recommended by the staff warrants a determination of the proper starting point and rates for future accruals. Using the figures for gross plant, salvage, total life and average age of depreciable plant items set forth in Table 3-A of the staff's Exhibit No. 2, the depreciation reserve requirement as of January 1, 1967 is not significantly different from the book reserve of \$127,159. Applicant did not raise any objections to the future use of the accrual rates recommended by the staff. The staff recommendations regarding remaining life depreciation are adopted in the order which follows.

### Tariff Violations

The Commission staff investigation disclosed that applicant has served two nonresidential customers at flat rates and has extended some of its distribution mains without entering into main extension agreements. One of the nonresidential services has already been metered and the order which follows requires applicant to correct the other violations of its tariffs.

### Findings and Conclusion

The Commission finds that:

- 1.a. Applicant is in need of additional revenues.
- b. The estimates presented by applicant and by the Commission staff, of operating revenues, operating expenses and rate base for the test year 1967 indicate the probable range of results of applicant's operations for the near future.

c. A rate of return of from 3.5 to 5.5 percent on applicant's rate base is not in excess of a reasonable return.

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

2. Applicant's present rules differ from those currently being authorized for similar utilities.

3. Applicant's present rates, and those authorized herein, permit flat rates for residential service only.

4. Applicant's tariffs require that it enter into a main extension agreement with the party requesting the extension for all extensions of distribution mains to serve new customers.

5. The straight-line remaining life depreciation rates set forth in Exhibit No. 2 are reasonable for applicant's plant.

6. The dispute between Landowners, Valley of the Moon, and an affiliate of applicant, concerning road repairs, does not relate to applicant's public utility obligations and rates.

The Commission concludes that the application should be granted and that applicant should be authorized and directed to take the actions set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Lake Gregory Water Company is authorized to file the new and revised rate schedules attached to this order as Appendix A and concurrently to cancel its present rate schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing.

The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Within forty-five days after the effective date of this order, applicant shall file appropriate revised general rules. 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. Within forty-five days after the effective date of this order, applicant shall install meters on services of all non-residential customers, and shall file in this proceeding written notification of compliance with this requirement.

4. Within forty-five days after the effective date of this order, applicant shall seek to enter retroactively into main extension contracts for all prior extensions which are not covered by contracts in accordance with applicant's tariffs, and shall file in this proceeding a written report (a) listing the contracts executed, (b) explaining any failure to execute contracts for all extensions, and (c) showing the resulting revision in applicant's Account 241, Advances for Construction.

5. For the year 1967, applicant shall apply the depreciation rates set forth in Table 3-A of Exhibit No. 2. 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. Any revised depreciation rates 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 the plant; and
- (3) dividing the quotient by the original cost of the plant. The

A. 49165 ds

result of each review shall be submitted promptly to the Commission.

6. The motion of Landowners, Valley of the Moon, for deferral of a decision herein is denied.

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

Dated at San Francisco, California, this 17<sup>th</sup> day of OCTOBER, 1967.

[Signature]  
President

[Signature]

[Signature]

[Signature]

[Signature]  
Commissioners



APPENDIX A  
Page 1 of 4

Schedule No. 1A (T)

ANNUAL METERED SERVICE (C)

APPLICABILITY

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

TERRITORY

Lake Gregory and vicinity, San Bernardino County. (T)

RATES

	<u>Per Meter Per Year</u>	
Annual Quantity Rates:		
First 4,800 cu.ft. or less .....	\$ 48.00	(I)
Next 2,200 cu.ft., per 100 cu.ft. ....	.60	(I)
Over 7,000 cu.ft., per 100 cu.ft. ....	.40	(I)
	<u>Per Meter Per Year</u>	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 48.00	(I)
For 1-inch meter .....	60.00	(I)
For 1 1/2-inch meter .....	80.00	(I)
For 2-inch meter .....	120.00	(I)

The Annual Minimum Charge will entitle the customer to the quantity of water which the annual minimum charge will purchase at the Annual Quantity Rates. (T)  
(T)

SPECIAL CONDITIONS

1. One-half of the Annual Minimum Charge shall be due and payable on or before January 10, and shall become delinquent February 1 of that year. The remaining one-half of the Annual Minimum Charge shall be due and payable on or before July 10, and shall become delinquent August 1 of that year. (C)  
(C)

(Continued)

Schedule No. 1A

ANNUAL METERED SERVICE  
(Continued)

SPECIAL CONDITIONS (Contd.)

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.

(N)

(N)

3. Multiple dwelling projects operated as a single enterprise may be served through a single master meter. A separate meter is required for each commercial establishment.

4. Meters will be read on or about the last day of March, June, September and December, and within ten (10) days thereafter each customer having used water in excess of that quantity which its Annual Minimum Charge will purchase, will be rendered a statement, payable upon presentation, which will show the meter readings and the charges due at the annual quantity rates.

(T)

(T)

Schedule No. 2RA (T)

ANNUAL RESIDENTIAL FLAT RATE SERVICE (C)

APPLICABILITY

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

TERRITORY

Lake Gregory and vicinity, San Bernardino County. (T)

RATES

	<u>Per Service Connection Per Year</u>	
For a single-family residential unit, including premises .....	\$48.00	(C) (I)
For each additional single-family residential unit on the same premises and served from the same service connection .....	36.00	(C) (C) (I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter. (N)

2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual 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. (N)

3. Annual Flat Rates shall be payable in two installments - first half due and payable on or before January 10, and shall become delinquent on February 1 of that year; second half due and payable on or before July 10, and shall become delinquent on August 1 of that year. (C)  
(C)

(Continued)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE  
(Continued)

SPECIAL CONDITIONS (Contd.)

4. 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)