

Decision No. 74092

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of County of San Diego, County
Service Area #4, on Behalf of
Kentwood in the Pines Community
Association under Section 454
of the Public Utilities Code for
Authority to Increase Rates for
Water Service.

Application No. 49462
(Filed June 12, 1967)
(Amended July 11, 1967)

James W. Colquhoun, George T. Liddell,
and Robert L. Small; for applicant.
Jack Burns and R. M. Rosengren;
protestants.
Mrs. Margaret L. McNichols, for
Whispering Pines Municipal Water
District; Edwin James Sprague,
for Residents of Whispering Pines;
and John Montgomery; interested
parties.
Reginald Knaggs, for the Commission
staff.

O P I N I O N

By this application, County of San Diego Service Area #4 (County), operating a water system under contract with Kentwood in the Pines Community Association (Association), a public utility water corporation under the jurisdiction of this Commission, seeks authority to increase the latter's rates for water service in the vicinity of Julian, San Diego County. The requested increase, 50 percent across the board, is to recover operating expenses, excluding depreciation, only. Association is in bankruptcy and is being administered by a referee appointed by the United States District Court, Southern District of California (San Diego). County has made

an appraisal of the water system and has offered \$30,000 to purchase it. Said purchase price, together with \$8,000 of past due and unpaid taxes, would be levied against the property owners in the Whispering Pines area where there were, as of July 1, 1967, 120 water customers, and in the Kentwood area where there were 128 customers as of said date. The total taxes of \$38,000 would be levied on an assessed valuation basis against the 4,000 lots in the areas, and would be collected over an immediate subsequent five-year period.

Public hearing was held before Examiner Warner on November 29, 1967, at Julian. Approximately 35 customers attended. They protested the proposed rate increase and the additional taxes and they complained against the restrictions placed by the Commission on applicant's furnishing water service outside the present service area - the latter restriction having been cited by the County Planning Commission as a cause for declining to issue new building permits.

County submitted two exhibits forecasting its operating costs and revenues based on the Association's operations, as best they could be reconstructed and determined from the records of Golconda Utilities Company for the year 1965; of the Association for the year 1966 and the period January 1 through February 28, 1967, and of the County's operations from the latter date through June 30, 1967. Three County witnesses testified, including a deputy County engineer, a principal administrative analyst in the office of the County's chief administrator, and a business and finance officer in the County Engineer's office.

A Commission staff engineer and a Commission staff financial examiner submitted and testified about a report, dated November 1, 1967, on the results of their investigation of the application. Said report is Exhibit No. 2.

The record shows that expenses for the year 1966 were overstated by approximately \$4,562 as shown on page 6 of Exhibit No. 2.

The staff recommended that applicant be granted rates to yield annual gross revenues of approximately \$14,500, which would defray estimated annual operating expenses and taxes, excluding depreciation.

The Commission finds as follows:

1. County of San Diego Service Area #4 has been operating the public utility water corporation, Kentwood in the Pines Community Association, now in bankruptcy, under contract since February 28, 1967.
2. The Association's prior records of operating expenses were incomplete and incorrect and have required reconstruction from available data.
3. The Association's operating expenses for the year 1966 were overstated by approximately \$4,562.
4. The County seeks an increase in rates to cover operating expenses, excluding depreciation, only.
- 5.a. The gross revenues of \$12,600, which would have been produced by the applicant's present rates, as estimated by the staff for the year 1967 in Exhibit No. 2, when related to total deductions of \$14,530, would have produced a loss of \$1,930, and applicant is in need of financial relief to defray its operating expenses, excluding depreciation.

b. The operating revenues of \$18,900, which the proposed rates would have produced for the year 1967, as estimated by the staff, would have resulted in net revenues of \$4,370.

c. Rates for water service which would yield annual gross revenues of approximately \$14,500 and thus defray estimated annual operating expenses and taxes, excluding depreciation, are reasonable.

6. We find that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

7. The question of future tax levies to defray cost of acquisition of the Association's water system and to pay taxes past due is a County responsibility beyond this Commission's jurisdiction, and is not properly or reasonably related to this application to increase rates for the purpose, only, of making break-even earnings.

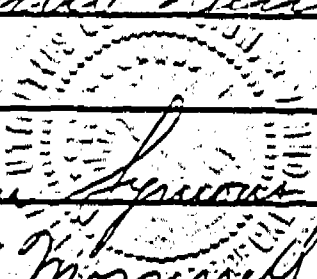
It is concluded that the application should be granted in part and denied in part, and applicant should be authorized to file a new schedule of rates which will yield gross revenues of approximately \$14,500 on an annual basis. The authorized increase over the revenues which would be produced by the present rates is \$1900, or 15.1 percent, but \$4400, or 34.1 percent, less than the increase proposed in the application.

O R D E R

IT IS ORDERED that this application be granted in part, and Kentwood in the Pines Community Association, a public utility water corporation under contract for its entire operations to County of San Diego Service Area #4, is authorized to file, after the effective date of this order, the revised rate schedule attached hereto as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof. In all other respects, the application is denied.

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

Dated at San Francisco, California, this 14th day of MAY, 1968.


[Signature] President
Shelton B. Bennett
[Signature]
William J. Spencer, Jr.
Paul P. Morrissey Commissioners

Schedule No. 1A
Sheet 1 of 2

(T)
(T)

ANNUAL METERED SERVICE

(T)

APPLICABILITY

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

TERRITORY

The areas known as Kentwood in the Pines, Whispering Pines and vicinity located one mile east of Julian, San Diego County.

RATES

		Per Meter Per Month	(T)
Monthly Quantity Rates:			(T)
First	300 cu. ft. or less	\$ 4.00	(I)
Next	700 cu. ft., per 100 cu. ft.80	(I)
Next	2,000 cu. ft., per 100 cu. ft.70	(I)
Over	3,000 cu. ft., per 100 cu. ft.60	(I)

Per Meter
Per Year (T)
(T)

Annual Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 48.00	(I)
For	3/4-inch meter	64.00	(I)
For	1-inch meter	90.00	(I)
For	1 1/2-inch meter	110.00	(I)
For	2-inch meter	135.00	(I)
For	3-inch meter	180.00	(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. (T)
(T)

(Continued)

Schedule No. 1A
Sheet 2 of 2

(T)

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing June 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 billing 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, except that meters may be read and quantity charges billed during the winter season at intervals greater than three months. (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 June, the portion of such annual charge applicable to the billing 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 billing year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding billing year. 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)