

ORIGINAL

Decision No. 74229

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
RANCHO DEL MONTE WATER CO., a
California corporation, under
Section 454 of the Public Utilities
Code, for authority to increase
rates for water service.

Application No. 49963
(Filed January 23, 1968)

O P I N I O N

Introduction

Rancho Del Monte Water Co., a California corporation, requests authority to increase rates for water service supplied to 300 customers in unincorporated territory including Rancho Del Monte Subdivision in Carmel Valley, Monterey County.

Ownership and Affiliated Interests

The president of applicant, Mr. Clayton B. Neill, is also president of Los Lomas Water Company and Bolsa Knolls Water Company, Inc. He operates Neill Engineering, Inc., a consulting engineering business, applicant, the above-named utilities, and Cal.-Oaks Water Company from the same office, using some common personnel. He has now established a group of employees to operate the four water systems. He also owns Village Hardware through which the utilities obtain materials. Stockholders of applicant

A. 49963 ds

own all of the stock of Cal.-Oaks Water Company, Los Lomas Water Company and Bolsa Knolls Water Company, Inc.

General

Applicant's present rates were authorized by Decision No. 48842, dated July 21, 1953, in Application No. 34152. The application indicates that applicant believes the proposed rates would increase revenues by approximately 50%.

At the request of the Commission, applicant mailed a notice to each customer on or about February 9, 1968, informing them that an application for a rate increase had been filed. The notice contained a comparison of the present rates with those proposed by applicant. Customers were invited to call to the Commission's attention any problems concerning water service, billing procedure or other factors pertaining to a reasonable charge for water service. Letters were received from six customers generally objecting to the magnitude of the proposed rate increase and complaining about the utility's inefficiency and failure to repair leaks promptly. A petition was also received signed by 13 customers opposing the proposed increase.

The staff made field investigations of applicant's operation in January and February, 1968. Plant facilities were inspected, pressures checked, customers interviewed, and applicant's records examined. The pressures range generally from 40 to 90 psi. Results of the staff's investigation are included in

a report dated April 15, 1968. The report includes operating and financial data as well as a rate schedule designed to produce a 7% rate of return on the staff's rate base of \$67,200. The required increase in gross operating revenues over revenues of present rates, according to the staff, should be \$4,650, an increase of 19.6%. The staff's report is hereby included in this record as Exhibit 1.

System Facilities

The description of applicant's facilities as presented on page 2 of the application appears to be complete and, therefore, need not be repeated herein.

Water Supply Permit

Rancho Del Monte Water Company obtained a water supply permit from the Department of Public Health in October 1961. The results of bacteriological analyses of water samples have indicated that the water quality is satisfactory.

Service

Exhibit 1 reveals that there have been no informal complaints made since January 1, 1963.

Results of Operation Analyses

The following tabulation presents applicant's recorded results of operation, after staff accounting adjustments for the year 1967, along with a comparison of applicant's and staff's estimates of the results of operation for the estimated year 1968 at present and proposed rates.

Results of Operation

Item	Year 1967		Estimated Year 1968				
	Appli- cant	Staff Adj.	Present Rates Appl.	Staff	Proposed Rates Appl.	Staff	Recom- Rates
<u>Operating Revenues</u>							
Metered Revenue	\$15,952	\$15,952	\$21,000	\$22,800	\$31,700	\$37,850	\$27,450
Public Fire Protection	960	960	960	960	960	960	960
Total Oper. Rev.	16,912	16,912	21,960	23,760	32,660	38,810	28,410
<u>Operating Revenue Deductions</u>							
<u>Operating Expenses</u>							
<u>Direct Charges</u>							
Operation & Maint. Sals.	3,324	3,333	(c)	3,000	(c)	3,000	3,000
Purchased Power	3,885	3,885	4,200	3,400	4,200	3,400	3,400
PT&T Signal Circuit	155	155	(c)	160	(c)	160	160
Cont. Reprs. & Matrils. Used	979	976	(c)	1,000	(c)	1,000	1,000
Chem. & Wtr. Analyses	444	392	(c)	400	(c)	400	400
Pstg. & Off. Supplies	374	361	(c)	400	(c)	400	400
Uncoll. Accounts	163	163	200	200	200	200	200
Director's Fees	500	500	(c)	500	(c)	500	500
Miscellaneous	-	118	(c)	120	(c)	120	120
Rate Case	-	-	320	200	320	200	200
Sub-Total	9,824	9,883	(c)	9,380	(c)	9,380	9,380
<u>Allocated Charges</u>							
Management Salaries	5,224	4,313 ^a	(c)	1,500	(c)	1,500	1,500
Office Salaries	3,165	3,165	(c)	3,000	(c)	3,000	3,000
Pstg. & Off. Supplies	143	114	(c)	120	(c)	120	120
Telephone	118	118	(c)	120	(c)	120	120
Transportation Expense	664	664	750	700	750	700	700
Insurance	440	440	500	500	500	500	500
Rent	403	403	450	400	450	400	400
Miscellaneous	293	124 ^b	300	120	300	120	120
Sub-Total	10,450	9,311	(c)	6,460	(c)	6,460	6,460
Total Operating Expenses	20,274	19,224	22,197	15,840	22,197	15,840	15,840
Depreciation - Company	3,526	3,526	3,990	3,990	3,990	3,990	3,990
- Common	-	211	-	210	-	210	210
Interest	9	-	50	-	50	-	-
Property Taxes	1,475	1,475	1,575	1,570	1,575	1,570	1,570
Payroll Taxes	415	416	500	330	500	330	330
Fed. Inc. Taxes (22%)	-	-	-	370	(3,450	1,320
State Franch. Tax (7%)	100	100	100	130	1,035	1,180	450
Sub-Total	5,525	5,728	6,215	6,500	7,150	10,730	7,870
Total Operating Rev. Ded.	25,799	24,952	28,412	22,440	29,347	26,570	23,710
Net Oper. Rev.	\$(8,887)	\$(8,040)	\$(6,452)	\$ 1,320	\$ 3,313	\$12,240	\$ 4,700
Rate Base	-	-	\$75,600	\$67,200	\$75,600	\$67,200	\$67,200
Rate of Return	-	-	-	2.0%	4.4%	18.2%	7.0%

(Red Figure)

- (a) Reduced recorded portion of management salaries in the amount of \$943 to reflect revised allocation to applicant based on companies' three-factor formula. This category of salaries represents allocated salary of owner and two sons.
- (b) Excludes Monterey Country Club dues and expenses in the amount of \$137.
- (c) Details not available.

A. 49963 ds

The principal differences between the staff's and applicant's estimates appearing in the items of operating revenues, operating expenses, and taxes are explained in detail in Exhibit 1 and need not be repeated here.

The Commission finds that the estimates of operating revenues, expenses, including taxes and depreciation, the rate bases and rates of return submitted by the staff for the test year 1968, are reasonable for the purpose of prescribing rates herein.

The charge for a typical residential monthly consumption of 1,500 cubic feet at the rates authorized herein will be \$7.55, an increase of \$1.49 or 24.6% over the \$6.06 charge at the present rates.

The application, accordingly, should and will be granted to the extent provided in the ensuing order.

A public hearing is not necessary.

ORDER

IT IS ORDERED that after the effective date of this order, applicant may file the tariff sheet attached hereto as Appendix A. Such filing shall be made in accordance with General Order No. 96-A. The tariffs shall be effective for

A. 49963 ds

service rendered on the fourth day after filing but not earlier than the effective date of this decision.

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

Dated at Los Angeles, California, this 11th day of JUNE 1968.

John E. Kitchell
President

Augustine
William M. Bennett
David P. Morrison
Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Rancho Del Monte Subdivision and vicinity in Carmel Valley, Monterey (T) County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 400 cu.ft. or less	\$ 2.60 (I)
Next 1,100 cu.ft., per 100 cu.ft.45
Next 8,500 cu.ft., per 100 cu.ft.35
Over 10,000 cu.ft., per 100 cu.ft.30
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.50
For 3/4-inch meter	3.00
For 1-inch meter	4.00
For 1 1/2-inch meter	6.00
For 2-inch meter	10.00
For 3-inch meter	16.00
For 4-inch meter	30.00 (I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.