

ORIGINAL

Decision No. 74644

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)

JAMES R. MILLS)

doing business as)

SNOBOWL WATER COMPANY)

Under Section 454 of the Public
Utilities Code for Authority to
Increase Rates for Water Service.

Application No. 49985
(Filed January 31, 1968)

Verner R. Muth, for applicant.
Louis W. Gluhan, in propria persona, protestant. ✓
John D. Reader, for the Commission staff.

O P I N I O N

Applicant James R. Mills, doing business as Snobowl Water Company, seeks authority to increase rates for water service.

Public hearing was held before Examiner Gillanders in Sonora on June 21, 1968. Copies of the application were served and notice of hearing was published, posted and mailed to each customer, in accordance with this Commission's rules of procedure. The matter was submitted on June 21, 1968.

Testimony was presented by applicant and his consulting engineer. The Commission staff presentation was made through an engineer. Two customers attended the hearing, one of whom conducted cross-examination of applicant.

Ownership and Affiliated Interests

James R. Mills, sole owner of the utility, also does business as the Slide Inn Water Company, a public utility under this Commission's jurisdiction, serving approximately 81 customers in a subdivision located approximately one-fourth mile southwesterly of the Snobowl subdivision.

Service Area and Water System

Applicant furnishes water for domestic and commercial purposes in an unincorporated community, known as Snowbowl, adjacent to State Highway 108, approximately 20 miles easterly of Sonora, in Tuolumne County.

The water supply is obtained from two deep wells, with 1-hp and 1-1/2-hp pumps. It is pumped without treatment into the distribution system and a 10,000-gallon storage tank. The distribution system consists of 5,500 feet of steel and plastic pipe ranging in size from 3/4 inch to 4 inch. As of December 31, 1967, 23 customers were being served, all at flat rates. According to the staff, the present pumping capacity of 20 gpm and the 10,000-gallon storage tank are adequate to serve 25 customers.

The Commission staff's Exhibit 2 shows that no informal complaints have been registered; that applicant has a water supply permit issued in 1959 by the California Department of Public Health; that results of bacteriological analyses of water samples have indicated that the water quality is satisfactory; that the addition of a 10,000-gallon tank proposed by applicant will greatly help the water supply during the high water usage period; and that applicant has plans for an 18-unit subdivision within the service area.

Rates

The present rates were authorized by Decision 62718, dated October 24, 1961, in Case No. 6466 and became effective in January, 1963. Applicant requests that the present basic annual flat rate be increased from \$24 to \$78 for a single-family residential unit, an increase of 225 percent. He also proposes a \$42 rate for each additional residential unit on the same premises and served from the same service connection. Applicant's proposed rate for Snobowl Motel is \$90 per year, an increase of \$30 over the present rate. Applicant also requests a meter rate schedule. None is presently on file.

TABLE I
COMPARISON OF RATES
ANNUAL METER RATES

		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
Monthly Quantity Rates:			
First	800 cu.ft. or less.....	-	\$ 5.60
Next	2,200 cu.ft., per 100 cu.ft.....	-	.45
Next	7,000 cu.ft., per 100 cu.ft.....	-	.35
Over	10,000 cu.ft., per 100 cu.ft.....	-	.25
		<u>Per Meter Per Year</u>	
		<u>Present</u>	<u>Proposed</u>
Annual Minimum Charge:			
For	5/8 x 3/4-inch meter.....	-	\$ 67.20
For	3/4-inch meter.....	-	90.00
For	1-inch meter.....	-	132.00

ANNUAL GENERAL FLAT RATE SERVICE

		<u>Per Service Connection</u>	
		<u>Per Year</u>	
		<u>Present</u>	<u>Proposed</u>
For a single-family residential unit, including premises.....		\$24.00	\$78.00
For each additional residential unit or business establishment on the same premises and served from the same service connection.....		-	42.00
Snowowl Motel.....		60.00	90.00

Results of Operation

The following tabulation presents applicant's recorded results of operation, after staff accounting adjustments for 1966 and 1967, along with a comparison of applicant's and staff's estimated results of operation for the year 1968, at present rates and at applicant's proposed rates.

Results of Operation

Item	:Recorded:Recorded:		Estimated Year 1968			
	: Year#	: Year,	:Present Rates	:Proposed Rates		
	: 1966#	: 1967	: Appl.	: Staff	: Appl.	: Staff
<u>Operating Revenues</u>						
Unmetered Sales	\$ 568 ^a	\$ 599	\$ 588	\$ 624	\$1,806	\$ 1,818
<u>Operating Rev. Deduc.</u>						
<u>Operating Expenses</u>						
Power	156 ^b	177	250	190	250	190
O&M - Labor	386	117	-	120	-	120
O&M - Material	-	-	100	50	100	50
O&M - Contract	5	190	120	100	120	100
Water Testing	-	-	30	30	30	30
Meter Repairs	-	-	15	10	15	10
Management	104 ^e	160	720	360	720	360
Bills & Postage	-	-	35	10	35	10
Office Supplies	6	23	10	10	10	10
Telephone	-	20	30	30	30	30
Insurance	-	42	40	40	40	40
Accounting	200 ^d	120	150	120	150	120
General Expense	- ^d	2	40	25	40	25
Uncollectible	24 ^e	-	30	25	30	25
Vehicle	52 ^c	80	180	60	180	60
Rate Case	134 ^c	114	120	100 ^g	120	100 ^g
Subtotal	1,067	1,045	1,870	1,280	1,870	1,280
Depreciation	614	449	590	590	590	590
Taxes Other Than Income	190	201	220	190	220	190
Income Taxes	-	-	-	-	-	-
Total Deductions	<u>1,871</u>	<u>1,695</u>	<u>2,680</u>	<u>2,060</u>	<u>2,680</u>	<u>2,060</u>
Net Oper. Revenue	(1,303)	(1,096)	(2,092)	(1,436)	(874)	(242)
Rate Base			12,332	13,260	12,332	13,260
Rate of Return			Loss	Loss	Loss	Loss

(Red Figure)

- # After staff adjustments.
- Deducted \$224 to reflect revenues on an accrual basis.
 - Deducted \$34 to reflect power expense on an accrual basis.
 - Reclassified \$134 of accounting fees pertaining to this rate case.
 - Reclassified uncollectibles, \$24.
 - Reclassified owner's travel time, \$104 to management service.
 - 1967 recorded operating results not audited by financial examiner.
 - \$500 prorated over 5 years.

The evidence shows that the differences between the staff's and applicant's estimates are as follows:

- a. Operating Revenues - Applicant's estimate of revenue at the present rates is based on 22 residential and 1 commercial customers, while the staff used 21 residential and 2 commercial customers based on later information.
- b. Operating Expenses - The staff's estimate of operating expenses, other than depreciation and taxes, is approximately \$580 less than that of the applicant for the estimated year 1968. The staff estimate for electric power is based on costs during the last three recorded years. The staff allowance of \$360 for management is relatively high on a per customer basis due to the limited number of customers served but is considered to be reasonable when all contract and other labor is analyzed. The balance of the staff estimates are based on analysis of applicant's expenses giving consideration to the operating conditions of this utility.
- c. Depreciation Expense - Both the applicant and the staff used the composite depreciation rate of 3.3%, established by applicant's 1966 appraisal and depreciation study, in calculating the depreciation expense. The \$40 difference is due to the fact that applicant used an end-of-year plant figure.
- d. Taxes Other Than Income - Both the applicant and the staff used the 1967-68 ad valorem tax base for its 1968 property tax estimate. Applicant included \$30 for payroll taxes while the staff has allowed about \$10 for such payroll taxes on its labor allowance.

Both the applicant and the staff predicated their estimates on the existing system and number of customers.

Ordering paragraph 4a. of Decision No. 62718 dated October 24, 1961 in Case No. 6456 ordered applicant on or before June 30, 1962 to install and place in operation a storage tank having a capacity of not less than 20,000 gallons, to be installed easterly of the service area at the same elevation as the existing 10,000 gallon tank west of the State Highway.

Ordering paragraph 6 states:

"6. Upon completion and placing in operation of all of the facilities required to be installed by the foregoing paragraph 4 of this order, respondents then may petition the Commission for a modification of this order as to the total number of customers to whom water service may be rendered; however, until further order of this Commission may be issued, either ex parte or after further hearing, the number of such customers shall be as limited by ordering paragraph 7 of Decision No. 61063 as revised by the foregoing paragraph 5 of this order."

Applicant testified that he did not install the tank nor does he intend to install the tank as the location and capacity of said tank was based upon supplying 100 customers. Because of the location of a new highway he can now only develop his land to supply a total of 50 customers, most located west of the highway. He is developing 19 new lots on the westerly side of the highway. He testified his new subdivision will be on the market within a couple of months. Exhibit No. 1 is a tentative map of the new subdivision. It shows that applicant plans to install a tank of 12,500 gallon capacity on a portion of lot 17 or 18 at an elevation of 5,200 feet. He plans on pumping water from the existing tank at 5,120 feet into the new tank. Applicant testified that he now supplies 23 customers; that he has a potential of not over 12 new customers plus a restaurant on the east side of the highway plus the 19 new lots on the west side of the highway.

Because of the changes due to the new highway location, applicant requests that the order in Decision No. 62718 be modified to allow the installation of a 12,500 gallon tank and that he be authorized to serve up to 50 customers. However, the tank would not provide storage for existing customers. It would be located to serve applicant's proposed new subdivision and would reduce availability of water to existing customers since the new tank would be supplied by pumping from the existing limited storage.

The staff recommends that the 25 customer limit be retained until additional storage is provided at the elevation of the existing tank.

During the course of the proceeding, applicant's consultant requested that the proposed tariff be modified to provide that meters be installed only at the option of the utility, and that billing on a metered schedule be no more than bi-monthly. He recommended that commercial users be metered.

The record reveals that residential users use approximately the same amount of water, and that there is little or no use of water for irrigation of lawns or gardens. It follows, therefore, that no good reason exists for charging an additional residence on a lot substantially less than the first residence on the same lot.

Applicant requests that his application be granted in full, while the staff recommends that the rate be established at \$65 per residence with each additional residential unit on the same lot and served from the same service connection be charged \$50 and that commercial customers be metered.

Rate of Return

It is apparent from the results of operation as estimated by applicant and by the staff, as modified by the recommendation to meter commercial users, that with the present system and present customers at present rates, applicant will operate at a loss. It is equally apparent that at applicant's proposed rates he will still be operating at a small loss. It is also apparent from the record that applicant would not realize a return on rate base even if he charged each residential user the same rate and installed meters for commercial customers. As applicant is also the developer of the subdivision, it is not unreasonable to authorize rates that will produce little or no return on rate base.

Findings and Conclusions

The Commission finds that:

1.a. Applicant is in need of additional revenues.

b. The staff estimates, previously discussed herein, of operating revenues, operating expenses and rate base for the test year 1968 reasonably indicate the results of applicant's operations for the near future.

c. The increase in rates and charges authorized herein is 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. The plant account balances, depreciation reserve, and contributions in aid of construction developed by the Commission staff in Exhibit No. 2 are reasonable for applicant's system.

3. Applicant's existing facilities are capable of adequately supplying only 25 customers.

4. Commercial customers should be metered.

5. Each additional residential unit on the same premises served from the same service connection should be charged the same amount as the first unit.

The Commission concludes that:

1. The application should be granted to the extent set forth in the order which follows.

2. Applicant should be limited to supplying 25 customers on his existing system.

Inasmuch as applicant is operating at a loss under present rates and will continue to operate at a nominal loss under authorized rates, the order herein shall become effective on the date thereof.

We place applicant on notice that he must, in dealing with himself as a subdivider, follow his filed main extension rule.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant is authorized to file the revised rate schedules attached to this order 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.

2. Applicant shall, by December 31, 1968, record in his books of account the staff-adjusted balances for utility plant accounts, depreciation reserve, and contributions in aid of construction at December 31, 1967, as set forth in the tabulation entitled "Utility Plant and Depreciation Reserve" contained in Exhibit 2 in this proceeding.

3. Applicant shall establish for the year 1968, and thereafter maintain formal books of accounts in conformity with the Commission's prescribed Uniform System of Accounts for Class D Water Utilities.

4. Within sixty days after the effective date of this order, applicant shall file a revised tariff service area map to include all areas presently served, appropriate general rules and copies of forms that are normally used in connection with customers' services. 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.

5. Applicant shall not extend or furnish water service outside his present Snobowl service area and shall not provide water service to more than 25 customers without further order of this Commission.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 4th
SEPTMBER
day of _____, 1968.

William Synovis, Jr.
President
Paul E. Ketchum
Augustin
Fred P. Monrosey
Commissioners

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Snobowl Subdivision, near Long Barn approximately 20 miles easterly of Sonora, Tuolumne County.

RATES

Monthly Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>	
First 800 cu.ft. or less.....	\$ 5.00	(I)
Next 2,200 cu.ft., per 100 cu.ft.....	.40	
Next 7,000 cu.ft., per 100 cu.ft.....	.30	
Over 10,000 cu.ft., per 100 cu.ft.....	.25	

Per Meter
Per Year

Annual Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 60.00	(I)
For 3/4-inch meter.....	84.00	
For 1-inch meter.....	120.00	
For 1 1/2-inch meter.....	214.00	
For 2-inch meter.....	300.00	(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.

(Continued)

Schedule No. 1A

ANNUAL 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 pro-rated 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.

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.

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Snobowl Subdivision, near Long Barn, approximately 20 miles easterly of Sonora, Tuolumne County.

RATES

Per Service Connection
Per Year

For a single-family residential unit or business establishment, including premises.....	\$66.00	(I)
For each additional single-family residential unit or business establishment on the same premises and served from the same service connection	66.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 3/4-inch in diameter.

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.

(Continued)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS--Contd.

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.

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.