

ORIGINAL

Decision No. 75458

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ROSSMOOR WATER COMPANY, for an Order
Authorizing a Raise in Rates.

) Application No. 50365
(Filed July 1, 1968)
(Amended January 20, 1969)

) Application for Interim
Rate Increase
(Filed February 17, 1969)

Milford W. Dahl, for applicant.
Hunter, Moyer & Price, by A. Oakley
Hunter, Edward L. Olsen and
Robert L. Price, for Laguna Hills
mutual corporations and Golden
Rain Foundation of Laguna Hills;
Bewley, Lassleben, Whelan & Miller,
by Martin E. Whelan, Jr., for
Leisure World Foundation and mutual
corporations; Charles Waltman, for
Aliso Valley Home Owners Association;
and Mrs. Bart R. Pasini and
Mrs. Paul B. Weaver, Jr., for Aegean
Hills Homeowners Association,
protestants.
C. O. Newman and Raymond E. Heytens,
for the Commission staff.

INTERIM OPINION

By this application, Rossmoor Water Company seeks to increase its rates for water service to some 11,000 residents of some 6,000 dwelling units whose properties are managed by some 20 mutual trust corporations. Said trusts are, in turn, cumulatively managed by Leisure World Foundation which, among several services, furnishes landscaping, dwelling unit building, private garage and laundry room maintenance, parkway planting and irrigation, sanitation and water service for a monthly charge

against each dwelling unit. The present monthly water service charge is \$4.00, which represents a proration of the individual mutual trust accumulated water service charges rendered to the latter by the applicant herein for water service delivered to these mutuals through approximately 370 1½-inch and 2-inch meters. The applicant also furnishes metered domestic water service to some 1,540 single-family residences outside the Leisure World retirement community, and it also furnishes water service to commercial shopping areas and establishments, and metered and unmetered water service for construction purposes. The applicant is wholly owned by Rossmoor Corporation. The projected ultimate development of Leisure World is 9,000 dwelling units with 15,000 residents and the projected expansion for 1969 is 785 dwelling units inside Leisure World and 503 dwelling units in tracts outside Leisure World, together with a commercial area, all as shown on the map, Exhibit 1-C.

As shown in Exhibit 4 (pg. 19), the gross amount of the requested rate increase is \$145,320, or 27.2 percent, of which \$132,110, or 48.0 percent, would be borne by the mutuals serving the dwelling units inside Leisure World; \$(11,900)^{1/}, or (7.6) percent, by the single-family residences outside Leisure World; \$5,370, or 7.4 percent, by commercial customers and public authorities; and there would be an increase of \$19,740, or 83.7 percent, for sales at the proposed rates for metered and unmetered construction purposes, all based on estimated operations for the year ending December 31, 1969.

^{1/} (Reduction).

Exhibit F of the amended application is a cost-of-service study, which shows a rate of return at present rates on total average rate base for the estimated year 1968 of \$2,092,587 to be 1.07 percent at present rates, and 7.33 percent at proposed rates.

Public hearings were held before Examiner Warner on January 28, 1969, at El Toro, and on January 29 and February 17 and 18, 1969, at Laguna Hills. At the original hearing, counsel for the protestants representing the Leisure World community requested a continuance in order to have prepared by a consulting engineer and a certified public accountant an independent cost-of-service study. Exhibit 4, the report on an investigation of the application submitted by a Commission staff engineer and an accountant, shows an over-all rate of return for the year 1969 estimated at present rates of 1.0 percent, and 7.2 percent at the proposed rates. A comparable showing by the applicant shows an estimated rate of return for the year 1969 estimated at present rates of 0.94 percent, and 7.44 percent at the proposed rates.

Exhibit 4-A is a cost-of-service study submitted by the Commission staff which, subject to cross-examination, generally supports applicant's contention, and still untested showing, that inside Leisure World is causing a disproportionately high share of the cost of the company's operations.

At the hearing on February 17, counsel for Leisure World Foundation, representing the Laguna Hills mutuals and, indirectly, the residents inside Leisure World, renewed its request for an

eight-weeks' continuance to have prepared an independent cost-of-service study, whereupon the applicant filed the instant application for an interim rate increase.

The basis of the request for interim relief is a prima facie showing that applicant's rate of return for the projected year 1969 at the present rates is inadequate; applicant's operations for the year 1968, when finally determined, will show that applicant suffered a net loss of \$53,870; there would be a net loss of \$53,800 for 1969 projected operations; Pacific Mutual Life Insurance Company, as shown in Exhibit 1-F, on August 27, 1968, had stated that it would not make any additional loan to applicant until adequate earnings were available to support the loan; Pacific Mutual had pointed out to applicant that applicant would have to obtain a satisfactory rate increase to show satisfactory earnings to support such a loan; applicant's peak-hour customer demands inside Leisure World occurred in the evening hours of a hot summer or fall day; its peak-hour customer demands outside Leisure World occurred in the morning hours of a hot summer or fall day; if the two occurred simultaneously, applicant's present 5,000,000 gallons of storage capacity and transmission supply capabilities would not be able to meet such demands and there would be a water supply failure for the entire system; if the peak-day demand of 13,000,000 gallons occurred at the same time as a major fire, the fire fighting water supplies would be inadequate; immediate construction of a 2,000,000-gallon reservoir and 7,000 feet of a 24-inch transmission main, costing

approximately \$250,000, was required; applicant was without any known source of obtaining such construction funds; and the only source of relief was an emergency interim rate increase in the magnitude of the rates proposed in the amendment to the application and in the manner, that is to say, the spreading of rates, which is set forth in Exhibit G to the amendment, or in the alternative, at the rates proposed in the staff report, Exhibit 4.

The staff suggested an interim rate increase of 15 or 20 percent for customers inside Leisure World, only.

The protestant, Leisure World Foundation, conceded that some financial relief was required, to which it had no objection, except that, until both the applicant and the staff cost-of-service studies had been tested and its own cost-of-service study had been introduced and tested on cross-examination, no change should be authorized in the present rate spread as between inside Leisure World, outside Leisure World, commercial and construction service.

The record shows that, based on the Commission staff estimate of revenues at present rates (page 30, Exhibit 4), the net operating cash, including the use of depreciation accruals after deducting bond interest expense payments of \$73,000, would generate an amount of \$28,000 of cash by December 31, 1969. Cash requirements, in addition to operating expenses, excluding depreciation but including interest, would total \$62,000 for the year 1969, based on debt service (joint sinking fund requirements) of \$19,000 and main extension advances refunds of \$43,000. This

would leave the applicant with a negative cash flow for the year 1969 of \$34,000. Since applicant started the year 1969 with a cash balance of \$50,000 estimated, its net cash balance at December 31, 1969, would be \$16,000.

The record further shows that final design of the reservoir has not been started; a reservoir site has not been acquired, although it has been selected at an elevation of 549 feet in the Aegean Hills in the extreme southeast of applicant's service area; the connecting transmission mains have not been designed and it is doubtful that the necessary implementation of applicant's over-all system to meet potential maximum demands during the summer and fall of 1969 could be completed before November of this year. However, an emergency booster pump could be installed at a cost which could not be recovered since it would be replaced by permanent facilities, including the 2,000,000-gallon proposed reservoir.

Finally, the record shows that the current rainfall for the first two months of the year 1969 is more than double the 30-year median. The total rainfall for the year 1968 was 6.8 inches of rain and more than 12 inches had fallen since January 1, 1969, up through the February 17, 1969, hearing date, thus radically reducing applicant's water sales for landscape irrigation, and revenues therefrom. Such revenues are a major part of applicant's gross revenues from sales of water inside Leisure World, and thus they constitute a major source of applicant's total revenues.

Findings

The Commission finds that:

1. The revenues from applicant's present rates for water service are producing a deficient rate of return; such rate of return will decline during the year 1969; and applicant is in need of immediate financial relief.

2. Applicant's present water system is inadequate, from a supply standpoint, to meet maximum peak-hour demands should they occur simultaneously inside Leisure World and outside Leisure World, and it is inadequate to meet peak-day demands in case a major fire should occur.

3. Applicant cannot obtain outside financing without improved earnings and it cannot finance necessary construction with internally generated funds at present rates.

4. An increase in total revenues of 15 percent on an interim basis is reasonable.

5. Although the record has not been fully developed with regard to rate spread, both applicant and the staff have introduced cost of service studies which substantially agree that little or no increase is justified for customers outside Leisure World. We therefore find it reasonable to increase the rates for customers within Leisure World by 20 percent and the rates for construction water service by 50 percent. These increases will produce the total revenue increase of 15 percent previously found reasonable.

6. Other than as described above, no change in the rate spread relationship contained in the applicant's presently filed tariffs is as yet supported by this record.

Based on the foregoing findings, the Commission concludes that the application for interim rate increase should be granted in part and denied in part, and applicant should be authorized to file new schedules of rates which will produce a 15 percent overall increase. However, if after full hearing of this matter the record does not support a finding that such interim rates are reasonable, applicant is hereby placed upon notice that all or part of said increases will be the subject of refund.

Applicant should be directed to continue, and to increase, its efforts to secure outside financing for necessary construction to be completed at the earliest date in order to avoid, if possible, any water shortage possibility or occurrence during summer or fall peak demand periods and should report, in writing, to the Commission periodically its results and progress therein.

INTERIM ORDER

IT IS ORDERED that:

1.a. After the effective date of this order Rossmoor Water Company 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 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.

b. The authorization herein to increase rates shall be on an interim basis, pending final determination of this application in toto.

2. Applicant shall continue, and increase, its efforts to secure outside financing for necessary construction to be completed at the earliest date in order to avoid, if possible, any water shortage possibility or occurrence during summer or fall peak demand periods and shall, within thirty days after the effective date hereof and every thirty days thereafter through December 31, 1969, report to the Commission, in writing, the results of such efforts and the extent to which it has implemented its water system supply capabilities.

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

Dated at San Francisco, California, this 19th day of MARCH, 1969.

William Sproule
President
Augustus
Fred P. Monissey
W. H. Baird
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

METERED SERVICE (T)

APPLICABILITY

Applicable to metered water service other than multiple residential apartments within Rossmoor Leisure World. (T)
(T)

TERRITORY

El Toro, Laguna Hills, and Rossmoor Leisure World, and vicinity, Orange County. (T)
(T)

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu.ft. or less	.....	\$ 3.00
Next	800 cu.ft., per 100 cu.ft.	.....	.40
Next	6,700 cu.ft., per 100 cu.ft.	.....	.30
Next	10,000 cu.ft., per 100 cu.ft.	.....	.27
Next	30,000 cu.ft., per 100 cu.ft.	.....	.24
Over	48,000 cu.ft., per 100 cu.ft.	.....	.23

Minimum Charge:

For	5/8 x 3/4-inch meter	.....	\$ 3.00
For	3/4-inch meter	.....	4.00
For	1-inch meter	.....	7.00
For	1 1/2-inch meter	.....	12.00
For	2-inch meter	.....	18.00
For	3-inch meter	.....	30.00
For	4-inch meter	.....	45.00
For	6-inch meter	.....	90.00

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

Schedule No. 1M (T)

METERED MULTIPLE SERVICE (T)

APPLICABILITY

Applicable to all metered water service to multiple residential apartments within Rossmoor Leisure World. (T)
(T)

TERRITORY

El Toro, Laguna Hills, and Rossmoor Leisure World, and vicinity, Orange County. (T)
(T)

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu.ft. or less	.....	\$ 3.60	(C)
Next	800 cu.ft., per 100 cu.ft.	.....	.48	⋮
Next	6,700 cu.ft., per 100 cu.ft.	.....	.36	⋮
Next	10,000 cu.ft., per 100 cu.ft.	.....	.325	⋮
Next	30,000 cu.ft., per 100 cu.ft.	.....	.29	⋮
Over	48,000 cu.ft., per 100 cu.ft.	.....	.275	⋮

Minimum Charge:

For	5/8 x 3/4-inch meter	.....	\$ 3.60	⋮
For	3/4-inch meter	.....	4.80	⋮
For	1-inch meter	.....	8.40	⋮
For	1 1/2-inch meter	.....	14.40	⋮
For	2-inch meter	.....	21.60	⋮
For	3-inch meter	.....	36.00	⋮
For	4-inch meter	.....	54.00	⋮
For	6-inch meter	.....	108.00	(C)

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

Schedule No. 9FC

UNMETERED SERVICE TO TRACT HOUSES DURING CONSTRUCTION

APPLICABILITY

Applicable to tract houses being constructed as a part of a total real estate development.

TERRITORY

El Toro, Laguna Hills, and Rossmore Leisure World, and vicinity, (T)
Orange County. (T)

RATES

For each residence for the first two months of the construction period	\$9.00	(I)
For each residence for each additional month or portion thereof	4.50	(I)

SPECIAL CONDITIONS

1. This rate is available only to real estate developers who undertake the construction of all or a substantial portion of the houses in a tract as part of the tract development. It does not apply to builders of houses in tracts subdivided for lot sales.

2. The water service, under this tariff schedule applies only to use of water for construction of residences. It does not include water use for garden irrigation or for model homes or for general tract improvement work.

Schedule No. 9MC

METERED CONSTRUCTION SERVICE

APPLICABILITY

Applicable to all measured water service furnished for general construction. (T)
(T)

TERRITORY

El Toro, Laguna Hills, and Rossmoor Leisure World, and vicinity, (T)
Orange County. (T)

RATES

Per Meter
Per Month

Quantity Rates:

First 12,500 cu.ft. or less	\$ 45.00	(I)
Over 12,500 cu.ft., per 100 cu.ft. ....	.36	⋮

Minimum Charge:

For 2-inch meter	\$ 45.00	⋮ (I)
For 4-inch meter	90.00	
For 6-inch meter	180.00	
For 8-inch meter	360.00	

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