

ORIGINALDecision No. 25645

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of BOLSA KNOLLS WATER CO., a Cali-)
fornia corporation, under Section)
454 of the Public Utilities Code,)
for Authority to Increase Rates)
for Water Service.)

Application No. 50850
(Filed January 30, 1969)

O P I N I O N

Applicant Bolsa Knolls Water Company, ^{1/} a corporation,
seeks authority to increase rates for water service.

At the request of the Commission, applicant sent a notice to each customer regarding the requested rate increase, inviting customers to call the Commission's attention to any problems covering water service, billing procedures or other factors pertaining to a reasonable charge for water service. The Commission received letters from three customers, citing service deficiencies such as leaky mains, as discussed in a Commission staff report, hereby received as Exhibit No. 1.

Service Area and Water Supply

Applicant's service area includes Bolsa Knolls and adjacent other subdivisions, in unincorporated areas of Monterey County approximately three miles north of the City of Salinas.

The water supply is obtained from applicant's four wells. The distribution system includes about six miles of distribution mains, ranging in size up to eight-inch. There are about 440 metered services and 26 public fire hydrants. A storage tank and

^{1/} Sometimes incorrectly referred to as Bolsa Knolls Water Co., Bolsa Knolls Water Co., Inc. or Bolsa Knolls Water Company, Inc. in the various documents filed in this proceeding.

four hydropneumatic tanks maintain system pressure and provide storage for the system.

Service

A field investigation of applicant's operations, service and facilities was made by the Commission staff. In Exhibit No. 1, the staff states that the pressures range from 50 to 70 psi (which is well within the limits prescribed by General Order No. 103), that the water quality is satisfactory, that the eight informal complaints registered with the Commission since 1963 by customers of applicant were satisfactorily resolved and that leaks recently cited by two of the customers had already been eliminated by replacement of an old distribution main.

Rates

Applicant's tariffs include schedules for general metered service and public fire hydrant service. Applicant proposes to increase rates in both of those schedules. The following Table I presents a comparison of applicant's present and proposed rates.

TABLE I
COMPARISON OF MONTHLY RATES

<u>Item</u>	<u>Present</u>	<u>Proposed</u>
<u>General Metered Service</u>		
Minimum Charge	\$3.00*	\$3.45*
Quantity Rates:		
First 300 cu. ft.	.00*	.00*
Next 200 cu. ft., per 100 cu. ft.	.00*	.45
Next 500 cu. ft., per 100 cu. ft.	.40	.45
Over 1,000 cu. ft., per 100 cu. ft.	.30	.30
<u>Public Fire Hydrant Service</u>		
Wharf Hydrant:		
Main less than 4-inch	2.50	2.75
Main 4-inch or larger	3.50	3.75
Standard Hydrant:		
Single Outlet	4.25	4.50
Double Outlet	5.75	6.00
Triple Outlet	8.00	8.25

*Minimum charge for a 5/8 x 3/4-inch meter. A graduated scale of increased charges is provided for larger meters.

The staff states in Exhibit No. 1 that about 45 percent of the customers use less than 1,000 cubic feet of water per month. For customers using from 500 to 3,000 cubic feet in one month, the individual monthly charges will increase in the range of \$1.35 (45 percent) at 500 cubic feet to \$1.60 (14.5 percent) at 3,000 cubic feet.

Results of Operation

Applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in Table II, from applicant's Exhibit "E" and the staff's Exhibit No. 1, are the estimated results of operation for the test year 1969, under present water rates and under those proposed by applicant.

TABLE II
ESTIMATED RESULTS OF OPERATION
TEST YEAR 1969

<u>Item</u>	<u>Applicant</u>	<u>Staff</u>
<u>At Present Rates</u>		
Operating Revenues	\$35,000	\$32,300
Deductions	37,186	36,450
Net Revenue	(2,186)	(4,150)
Rate Base	86,774	82,700
Rate of Return	Loss	Loss
<u>At Rates Proposed by Applicant</u>		
Operating Revenues	\$43,500	\$39,900
Deductions	38,978	37,100
Net Revenue	4,522	2,800
Rate Base	86,774	82,700
Rate of Return	5.2%	3.4%

(Red figure)

From Table II it can be seen that applicant's proposed rates will result in an increase of about 24 percent in operating revenues.

Inasmuch as neither of the rates of return estimated by applicant and the staff under the proposed rates is excessive, there is no need to discuss or resolve the various differences in the estimates of revenues, expenses and rate base.

Staff Recommendations

In Exhibit No. 1, the staff recommends that:

1. The increase in rates requested by applicant be granted.
2. Applicant be ordered to record certain staff adjustments to specific balance sheet accounts.
3. Applicant be ordered to adjust main extension advances to actual cost, in accordance with its filed tariffs.
4. Applicant be ordered to file up-to-date rules.

It is apparent that applicant is operating at a loss under its present rates and is entitled to the increase it requests. The staff recommendation to authorize the requested increase is adopted.

The staff adjustments to balance sheet accounts appear reasonable. Inasmuch as those adjustments will presumably affect rate base in subsequent proceedings, applicant will be given an opportunity, if it so desires, to be heard on the subject before making the suggested changes.

Applicant's Rule No. 15 clearly states that the amount originally advanced for a main extension is subject to adjustment to actual cost. Applicant will be ordered to comply with its tariffs in this respect.

Applicant's present rules do not all reflect current rules filed by most new water utilities. Applicant will be required to bring all of its rules up to date.

Findings and Conclusions

The Commission finds that:

- 1.a. Applicant is in need of additional revenues.
- b. Applicant's and the staff's estimates, previously summarized herein, of operating revenues, operating expenses and rate base for the test year 1969 reasonably represent the probable range of results of applicant's future operations.

c. A rate of return of from 3.4 to 5.2 percent on rate base is not in excess of a reasonable return for applicant's operations.

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. The adjustments to applicant's balance sheet accounts recommended by the staff appear reasonable but applicant should be given an opportunity, if it so desires, to be heard on this issue.

3. Applicant has not adjusted all advances for construction to actual cost.

4. Applicant's present general rules are not the current revised rules filed by most water utilities.

The Commission concludes that a hearing is not necessary unless requested by applicant, that the application should be granted and that applicant should be required to take such actions as are 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 is authorized to file the revised rate schedule 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. Within ninety days after the effective date of this order, applicant shall record in its books of account the staff adjusted balances for utility plant accounts, advances for construction, contributions in aid of construction, earned surplus and depreciation

reserve, at December 31, 1968, as set forth in the tabulation entitled, "Utility Plant, Reserve for Depreciation and Net Investment", contained in Exhibit No. 1 in this proceeding, and shall file in this proceeding written notice of compliance with this paragraph.

3. Within sixty days after the effective date of this order, applicant shall adjust all main extension advances to actual cost, in accordance with its filed Tariff Rule No. 15, and shall file in this proceeding written notification of compliance with this paragraph.

4. Within sixty days after the effective date of this order, applicant shall file revised appropriate general rules and copies of printed 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.

The effective date of this order shall be twenty days after the date hereof, except that if applicant, before such effective date, files in this proceeding a written request for hearing on Paragraph 2 of the order, the effective date of that paragraph shall be stayed until further order of the Commission.

Dated at San Francisco, California, this 2nd day of MAY, 1969.

William J. ...
President

Augustus ...

Frank P. Morrissey

[Signature]

Commissioners

Schedule No. 1

(T)

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Bolsa Knolls Subdivision and vicinity, 3 miles north of Salinas, Monterey County.

(T)
(T)

RATES

	<u>Per Meter Per Month</u>	
Quantity Rates:		
First 300 cu. ft. or less	\$3.45	(I)
Next 700 cu. ft., per 100 cu. ft.45	(I)
Over 1,000 cu. ft., per 100 cu. ft.30	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 3.45	(I)
For 3/4-inch meter	5.10	
For 1-inch meter	7.40	
For 1 1/2-inch meter	11.00	
For 2-inch meter	19.00	
For 3-inch meter	36.00	
For 4-inch meter	63.00	(I)

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, organized fire districts and other political subdivisions of the State.

TERRITORY

Bolsa Knolls Subdivision and vicinity, 3 miles north of Salinas, Monterey County. (T)
(T)

RATE

	<u>Per Month</u>	
Wharf Hydrant:		
Served from main less than 4" dia.	\$2.75	(I)
Served from 4" main or larger	3.75	-----
Standard Hydrant:		
Single Outlet	4.50	-----
Double Outlet	6.00	-----
Triple Outlet	8.25	(I)

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service. (T)
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size. (C)

(C)
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.