

Decision No. 76186

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ROGINA WATER COMPANY, a California)
corporation. Under Section 454,)
the Public Utilities Code for)
authority to increase rates for)
water service.)

Application No. 50764
Filed December 20, 1968

Bell and Cox, by Conrad L. Cox, for applicant.
John D. Reader, for the Commission staff.

O P I N I O N

Rogina Water Company, a California corporation, seeks authority to increase its rates for water service in the unincorporated areas of Rogina Heights and Talmage, near Ukiah, in Mendocino County.

A duly noticed public hearing was held before Examiner Mooney in Ukiah on April 22, 1969, on which date the matter was submitted.

Testimony on behalf of applicant was presented by its president. The Commission staff presentation was made through an accountant and an engineer. Statements were made by three of applicant's customers.

Ownership, Service Area and Water System

Applicant corporation was organized in July 1966, and has 1,560 shares of common stock outstanding. All shares are owned by its president, Frank Rogina. The certificate of public convenience and necessity held by applicant was granted to its predecessor company by Decision No. 42766, dated April 19, 1949, in Application

No. 29618. Said predecessor company was also owned and operated by Frank Rogina.

Applicant owns a parcel of river bottom land adjacent to the Russian River. An adequate water supply for the system is obtained from two wells located on said parcel of land. A third well will be operating shortly. Two elevated storage tanks and a booster system with a pressure tank maintain system pressure and provide storage. The distribution system consists of 77,000 feet of asbestos cement and steel pipe ranging in size from two to ten inches. The service area extends about one mile north and three miles south of the storage tanks. All water delivered is chlorinated, and the water quality is satisfactory.

As of January 1, 1969, applicant had a total of 520 customers and served fire protection through 76 hydrants. Of the 520 customers, 508 were residential, two were commercial and ten were irrigation customers. Only 27 of the 76 fire hydrants were accepted and had rental paid for by a fire district.

About two years ago, applicant extended its service into territory beyond its certificated area without advising the Commission. Applicant's president testified that a new service area map including the extended area and the State Hospital at Talmadge will be filed promptly. He explained that although the hospital is not a customer of applicant, it may become one in the future.

Service

A field investigation of applicant's operations, facilities and service was made by the Commission staff. The plant was found to be in good condition. Several informal complaints against the company were filed in the last three years. They were satisfactorily resolved. Applicant was found to have misinterpreted its

meter rate schedule resulting in an average overcharge of approximately 2.8 percent. This has been corrected. The customer response during the staff investigation indicated that service was adequate.

Rates

Applicant's present tariff includes rate schedules for general metered service, irrigation service and public fire hydrant service. The present rates were adopted by applicant from its predecessor. They have not been changed since the predecessor commenced operating in 1949.

Applicant proposed to increase the monthly rates for general metered service by approximately 100 percent and for irrigation and fire hydrant service by 50 percent. Greater increases are sought in the minimum charge. The following Table I sets forth a comparison of present and proposed rates:

TABLE I

Comparison of Present and Proposed Rates

<u>Meter Rates</u>		<u>Per Meter Per Month</u>		
		<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
Quantity Rates:				
First	500 cu. ft. or less.....	\$ 2.00	\$ 5.00	150%
Next	1000 cu. ft., per 100 cu. ft.	.25	.40	60
Next	1500 cu. ft., per 100 cu. ft.	.20	.35	75
Next	2000 cu. ft., per 100 cu. ft.	.15	.30	100
Over	5000 cu. ft., per 100 cu. ft.	.10	.25	150

Minimum Charge:

For	5/8 x 3/4-inch meter.....	\$ 2.00	\$ 5.00	150%
For	3/4-inch meter.....	2.25	5.50	144
For	1-inch meter.....	3.00	7.50	150
For	1½-inch meter.....	4.00	10.00	150
For	2-inch meter.....	6.00	15.00	150
For	3-inch meter.....	12.00	30.00	150
For	4-inch meter.....	25.00	62.50	150

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

Irrigation Service

Quantity Rates:		<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
		Per 100 cu.ft.	\$ 0.10	\$ 0.15
Minimum Charge, annual:				
For	1½-inch meter.....	\$25.00	\$48.00	92%
For	2-inch meter.....	40.00	72.00	80
For	3-inch meter.....	55.00	144.00	162
For	4-inch meter.....	75.00	300.00	300

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

<u>Fire Hydrants</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
Per hydrant, per month	\$2.00	\$3.00	50%

For a typical residential customer with a consumption of 2,200 cubic feet through a 5/8 by 3/4-inch meter, the monthly charge would increase slightly over 94 percent, from \$5.90 under present rates to \$11.45 under the rates proposed in the application.

A comparison table attached to the application shows that applicant's current rates for the 5/8 by 3/4-inch metered service are substantially lower than those of other communities and districts in the area. The table also shows that the proposed rates are less than those in the area immediately outside the city limits of Ukiah for quantities up to 3,000 cubic feet per month and range up to \$2.12 higher than said area for additional quantities of up to 2,000 cubic feet.

Three customers expressed the opinion that the proposed increases in rates are excessive.

Results of Operations

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results under the present and proposed rates. Applicant has set forth a tabulation of its estimates for the year 1968 in Exhibits B and E to the application. It did not present any estimates in exhibit form for the year 1969. The staff estimates are for the year 1969. Said estimates are summarized in Table II. For comparison, the table also shows the estimated results that would have occurred had the rates authorized herein been in effect for the entire year 1969.

TABLE II
Estimated Results of Operations

	<u>Applicant</u> <u>Year 1968</u>	<u>Staff</u> <u>Year 1969</u>
<u>Present Rates</u>		
Operating Revenue	\$ 34,313	\$ 35,150
Deductions	35,716	38,640
Net Revenue	(1,403)	(3,490)
Rate Base	164,007	164,200
Rate of Return	Loss	Loss
<u>Applicant's Proposed Rates</u>		
Operating Revenue	\$ 57,073	\$ 74,380
Deductions	44,270	49,090
Net Revenue	12,803	25,290
Rate Base	164,007	164,200
Rate of Return	7.8%	15.4%
 <u>Rates Authorized Herein</u>		
		<u>Test</u> <u>Year 1969</u>
Operating Revenue		\$ 54,331
Deductions		42,016
Net Revenue		12,315
Rate Base		164,200
Rate of Return		7.5%

(Red Figure)

The average increase in general metered rates proposed by applicant exceeds 100 percent. However, it estimated that this would increase its revenue for said service from \$31,280 to \$49,623, an increase of only 58.6 percent. The staff estimated that the proposal would increase general metered revenue by 116.6 percent. The staff explained that it included a growth factor of approximately two percent in its estimate. Also, in estimating revenues for irrigation and fire hydrant service under the proposed rates, applicant included revenue for an anticipated increase in the number of irrigation customers and acreage and for a number of fire hydrants for which it is not now being paid. The staff was of the opinion that this was speculative and should not be included.

With the exception of the estimates for Franchise Tax and Federal Income Tax, the total of the deductions from operating revenue estimated by applicant and the staff are substantially similar. The difference in the estimates of said taxes by each results from the variations in their revenue estimates. As shown in Table II, there is very little difference in the rate base developed by applicant and the staff.

Rate of Return and
Authorized Rate Scale

Based on a review of the entire record, we concur with the staff that applicant should be authorized a 7.5 percent rate of return on the staff rate base. The operating revenue and net revenue necessary to produce this return are set forth in Table II under the heading "Rates Authorized Herein." The deductions from gross revenues shown therein are those estimated by the staff for 1969 adjusted to reflect the applicable State and Federal Income Taxes on said operating revenue.

The scale of rates necessary to yield the 7.5 percent rate of return are set forth in Appendix A attached hereto. Had said increased rates been in effect during all of 1969, it is estimated that the increase in gross operating revenues over revenues at present rates would have been \$19,181, an increase of 54 percent.

It is noted that applicant has an outstanding bank loan of \$53,500 and that the interest thereon is 7.5 percent.

Advances for Construction,
Accounting Procedures and
Tariff Filing

The staff pointed out that applicant has misapplied its main extension rule; does not have a separate commercial checking account solely for utility transactions; does not maintain sufficient documentation to identify the cost of utility installations; does not maintain its books and accounts in accordance with the Uniform System of Accounts for Water Utilities (Classes A, B and C); and is not basing accruals to depreciation reserve in accordance with accepted procedures. The staff recommended that certain directives be included in the order which follows which would require applicant to remedy these deficiencies and also that applicant be directed to file with the Commission revised tariffs including a current tariff service area map. Applicant's president testified that he had no objection to the staff recommendations. They will be adopted. The staff also suggested that applicant should engage the service of an outside accountant to insure that accounting records are adequately maintained. While we will not direct applicant to do this, we do expect that it will take whatever steps are necessary to assure that all business and accounting records are properly maintained.

Findings and Conclusions

1. Applicant's present rates were established 20 years ago by its predecessor.
2. Applicant is in need of additional revenue.
3. The estimates of operating revenues, operating expenses and rate base for the year 1969 set forth in Table II hereinabove reasonably indicate the probable results of applicant's operations for the near future under present rates, applicant's proposed rates and the rates authorized herein.

4. A rate of return of 7.5 percent on the rate base developed by the staff is reasonable.

5. 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.

6. Applicant has misapplied its main extension rule, failed to maintain business and accounting records in conformity with accepted procedures and has not filed a current service area map with the Commission.

The Commission concludes that the application should be granted to the extent authorized in the order which follows:

O R D E R

IT IS ORDERED that:

1. Rogina Water Company is authorized to file with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96-A, the revised schedules of rates and charges attached hereto as Appendix 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 said effective date.

2. On or before December 31, 1969, applicant shall record on its books of accounts all of the staff adjustments set forth in Table I of Exhibit No. 5, with the exception of the \$11,700 adjustment indicated for land. Further, applicant shall maintain its accounting records in accordance with the Uniform System of Accounts for Water Utilities (Classes A, B and C).

3. On or before December 31, 1969, applicant shall establish and maintain a work order system.

4. Within ninety days after the effective date of this order applicant shall file with this Commission four copies of up-to-date revised rules for water service in conformance with the provisions of General Order No. 96-A.

5. Within ninety days after the effective date of this order applicant shall make main extension refunds for 1967 and 1968 and annually thereafter on the basis of 22% of revenues in accordance with Section C.2 of its Rule No. 19 to the ten individuals who have advanced \$11,820 for a main extension along East Side Road. Applicant shall refrain from soliciting further advances from prospective new customers along this line.

6. Commencing with the year 1969, applicant shall base accruals to the depreciation reserve upon spreading the original cost of depreciable plant, less estimated future net salvage and less the depreciation reserve over the remaining life of the plant and for such purpose shall use individual plant account depreciation rates. Such rates shall be established initially in a reserve distribution study, and thereafter reviewed when major changes in plant composition occur, or at five-year intervals. The initial

reserve study and subsequent reviews shall be submitted for Commission approval.

7. Except to the extent authorized by ordering paragraph 1, Application No. 50764 is denied.

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

Dated at San Francisco, California, this 16th day of SEPTEMBER, 1969.

William Lyons, Jr.
President
Arthur
William
James
Thomas L. Stinson
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to general metered water service. (T)

TERRITORY

Talmage and vicinity, near Ukiah, Mendocino County. (T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft or less	\$ 3.00	(I)
Next 1,000 cu.ft., per 100 cu.ft.40	
Next 1,500 cu.ft., per 100 cu.ft.30	
Next 2,000 cu.ft., per 100 cu.ft.25	
Over 5,000 cu.ft., per 100 cu.ft.15	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 3.00	(I)
For 3/4-inch meter	3.50	
For 1-inch meter	4.50	
For 1 1/2-inch meter	6.00	
For 2-inch meter	9.00	
For 3-inch meter	18.00	
For 4-inch meter	40.00	

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

Schedule No. 3M (C)

IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service. (T)

TERRITORY

Talmage and vicinity, near Ukiah, Mendocino County. (T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rate:		
Per 100 cu.ft.	\$ 0.15	(I)
Minimum Charge:	<u>Per Year</u>	⋮
For 1½-inch meter or smaller	\$ 40.00	⋮
For 2-inch meter	72.00	⋮
For 3-inch meter	144.00	⋮
For 4-inch meter	300.00	(I)

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

SPECIAL CONDITIONS

1. The annual minimum charge shall be payable prior to commencement of service at the beginning of each irrigation year. The minimum charge will apply as a credit to subsequent bills within the calendar year.
2. This service is secondary to domestic service and the utility must be given 24 hours' notice before each irrigation. In the event that insufficient water is available for all irrigation users to be served at the same time, rotation of use may be required.

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Schedule No. 5 (C)

PUBLIC FIRE HYDRANT SERVICE (C)

APPLICABILITY

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

TERRITORY

Talmage and vicinity, near Ukiah, Mendocino County. (T)

RATE

Per Month

For each hydrant \$3.00 (I)

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, General Metered Service. (N)

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.

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. (N)