

ORIGINAL

Decision No. 76973

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ARDEN WATER COMPANY, a California)
corporation, for authority to in-)
crease rates for water service in)
the vicinity of Wofford Heights,)
Kern County.)

Application No. 51361
(Filed September 15, 1969)

O P I N I O N

Applicant proposes to increase the minimum charges in its General Metered Service Schedule No. 1 by fifty cents per meter per month to \$3.95 for 900 cu.ft. or less. This would increase the average monthly bill 10.5%. No increase in the quantity rates is sought.

The staff of the Commission has made reports of a study of the system and its operation which are hereby incorporated into the record as Exhibit No. 1.

General

As of December 31, 1968, William R. Seugling owned approximately 65 percent of applicant's stock and is currently applicant's president and manager. He owns land in the general area and provides engineering and inspection services for neighboring water utilities.

Applicant's only rate schedule, general metered service, became effective January 1, 1957 as authorized by the Commission in Decision No. 54299 dated December 18, 1956, in Application No. 38077. The tariff sheet was refiled on March 26, 1962, but the rates were not changed.

The service area is in the unincorporated community of Wofford Heights on the northwest shore of Lake Isabella, Kern County. As of December 17, 1969 there were 547 active metered services and one flat rate service. This flat rate service is unlawful since the applicant has no filed flat rate tariff schedule.

A comparison of charges for water service through a 5/8 x 3/4-inch meter at applicant's present and proposed rates and the rates of other Lake Isabella area water utilities is presented in the following tabulation:

Comparison of Monthly Charges
5/8 x 3/4-inch Meter

Monthly Consumption Cu. Ft.	Applicant Present Rates ^{1/}	Applicant Proposed Rates ^{2/}	Erskine Creek Wtr. Co. ^{2/}	Kernville: Domestic Wtr. Co. ; Co.	Lakeland Wtr. Co.	Mountain Wtr. Co.	South Mesa Wtr. Co.	Lake Wtr. Co.
500	*	*	*	*	*	\$ 3.45	*	
700	*	*	\$2.50	\$ 3.50	\$ 4.00	4.05	\$ 4.50	
900	\$3.45	\$ 3.95	2.80	3.85	4.60	4.65	5.00	
1,000	3.75	4.25	3.10	4.20	4.90	4.95	5.25	
1,200	4.35	4.85	3.70	4.90	5.50	5.55	5.75	
1,330 ^{4/}	4.75	5.25	4.09	5.36	5.89	5.94	6.08	
1,500	5.25	5.75	4.60	5.95	6.40	6.45	6.50	
2,000	6.75	7.25	6.10	7.70	7.90	7.95	7.75	
3,000	9.75	10.25	8.60	10.70	10.90	10.95	10.04	

^{1/} Same rates for Bodfish Water Co., Mountain Shadows Water Co. and Split Mountain Water Co.

^{2/} Same rate for Squirrel Mountain Water Co. for 900 cubic feet or more.

^{3/} Present rate is the same for Country Lane Water Co. up to 2,000 cubic feet. Erskine Creek Water Co. is requesting a 137 percent increase in its rates in Application No. 51388 filed September 15, 1969.

^{4/} Average monthly consumption by applicant's customers.

* Below minimum quantity.

Water System

Applicant's service area covers about 1-3/8 square miles and varies 625 feet in elevation. The system is divided into seven pressure zones. The source of supply consists of seven wells with total pumping capacity of 806 gpm. Storage consists of seven tanks with a total capacity of 226,000 gallons. All the wells and booster pumps operate on automatic controls. The distribution system consists of 17 miles of mains varying from 2 inches to 8 inches in diameter. There are 53 fire hydrants in the system for which no revenue is received.

Service

During the past three years two informal complaints concerning billing have been filed with the Commission. Both complaints have been closed. Applicant's customers were interviewed and water service pressures measured in August 1969. On October 16, 1969, applicant mailed a notice of the proposed rate increase to each of its customers. Eleven letters were received by the Commission from customers responding to the notice. Service problems cited in these letters concerned warm water in the summer and frozen water lines in the winter, lack of fire hydrants in some areas, and a short section of main still uncovered since last winter's storms.

As noted above, no revenue is received from the fire hydrants so the adequacy of this service will not be considered as a factor in establishing rates. The staff's investigation suggested but did not establish that the problem of temperature variations arose within the customer-owned service connections rather than in applicant's system. The exposed main was caused by a washout during last winter's storms in an undedicated dirt road. Applicant plans

to bury this main deeper in 1970. Consequently, service problems are not material to this proceeding.

Compared in the following tabulation at present and applicant's proposed rates are the staff's and applicant's estimated results:

Results of Operation

Item	Recorded ^{1/} 1968	Year 1969 Estimated			
		Present Rates Applicant	Staff	Proposed Rates Applicant	Staff
Operating Revenues	\$28,137 ^{2/}	\$ 30,260	\$ 29,390	\$ 33,452	\$ 32,580
Operating Revenue Deductions					
Purchased Power	1,609 ^{2/}	1,816	2,000	1,816	2,000
Insurance Expense	583 ^{2/}	1,026	860	1,026	860
Acctg., Legal & Other Exp.	1,317	1,916	2,020	1,916	2,020
General Expense	360	111	50	111	50
Office and Storage Rent	630	435	-	435	-
All Other	8,912	10,876	10,870	10,876	10,870
Total Operating Expenses	13,411	16,180	15,800	16,180	15,800
Depreciation Expense	5,933	5,293	5,510	5,293	5,510
Taxes, Ad Valorem	1,787	2,022	2,010	2,022	2,010
Taxes, Payroll	925	860	860	860	860
Taxes, Franchise	405	605	590	669	650
Taxes, Income ^{3/}	202	1,564	860	2,487	1,750
Total Deductions	22,663	26,524	25,630	27,511	26,580
Net Operating Income	5,474	3,736	3,760	5,941	6,000
Rate Base		129,058	137,700	129,058	137,700
Rate of Return		2.9%	2.7%	4.6%	4.4%

1/ After staff accounting adjustments.

2/ To reflect accrual accounting.

3/ Includes 5 percent federal income tax surcharge.

As indicated the staff's investigation resulted in only minor adjustments to applicant's estimates and disclosed no reason to either challenge the increases in "All Other" and "Income Tax"

categories, or to indicate that the higher level of expenses will not continue in future years.

The Commission finds that the estimates of operating revenues, expenses, including taxes and depreciation, and the rate base as submitted by the staff for the year 1969 reasonably represent the results of applicant's operations for the purposes of this proceeding.

Since the increased revenues are necessary to offset the increases in expenses, we find that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable. We have considered the consumer responses to applicant's notice and, as noted, have determined that the alleged service deficiencies, if proven, would not be of such nature or severity to warrant denial of the sought increase; consequently, we conclude that no formal hearing is required and that the increase should be granted.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Arden Water Company 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 forty-five days after the effective date of this order, applicant shall file a revised tariff service area map, appropriate general rules, and sample 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.

3. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within ninety days after the effective date of this order, applicant shall file with the Commission two copies of this map.

4. Within ninety days after the effective date of this order, applicant shall meter the water service connections to customers now being served on an unauthorized flat rate basis and within five days thereafter shall notify this Commission of said compliance.

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

Dated at San Francisco, California, this 24th
day of MARCH, 1970.

William J. Lyons, Jr.
President

[Signature]

[Signature]

Yuan L. Sturgeon
Commissioners

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Wofford Heights, and vicinity, located approximately two miles south of Kernville, Kern County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 900 cu.ft. or less	\$ 3.95	(I)
Next 3,100 cu.ft., per 100 cu.ft.30	
Over 4,000 cu.ft., per 100 cu.ft.16	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 3.95	(I)
For 3/4-inch meter	5.50	
For 1-inch meter	8.00	
For 1 1/2-inch meter	12.00	
For 2-inch meter	18.00	(I)

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