

ORIGINAL

Decision No. 77565

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of RANCHO DEL MONTE WATER CO., a
California corporation, under
Section 454 of the Public Utilities
Code, for authority to increase
rates for water service.

Application No. 51732
(Filed February 26, 1970)

O P I N I O N

Rancho Del Monte Water Co., a closely held California corporation, seeks authority to increase rates for water service to about 300 customers in unincorporated territory in Carmel Valley, Monterey County.

Service

As set forth in a Commission staff report dated June 10, 1970, hereby received as Exhibit No. 1,^{1/} applicant mailed a notice to each customer on or about March 20, 1970, informing them that an application for a rate increase had been filed. The notice contained a comparison of the present rates with those proposed by applicant. Customers were invited to call to the Commission's attention any problems concerning water service, billing procedure or other factors pertaining to a reasonable charge for water service. Exhibit No. 1 indicates that letters were received from three customers who generally objected to the magnitude of the proposed rate increase and complained about the utility's inefficiency and failure to restore service promptly.

^{1/} Applicant by letter received July 6, 1970, hereby received as Exhibit No. 2, requests that the rates proposed in Exhibit No. 1 be authorized ex parte.

A review of the Commission's files revealed that there have been three informal complaints filed since January 1, 1963, two of which involved high bills and one concerned property lines and meter relocation. These complaints were investigated and resolved.

The staff made field investigations of applicant's operation in April, 1970. Plant facilities were inspected, pressures checked, customers interviewed, and applicant's records examined. The pressures range generally from 40 to 90 psi.

Rates

The following tabulation compares monthly charges by applicant at present and proposed rates, for various consumptions through a 5/8 x 3/4-inch meter, with those recommended by the staff:

TABLE 1

Rate Comparison - General Metered Service

<u>Monthly Consumption cu.ft.</u>	<u>Rancho Del Monte Water Co.</u>			<u>Staff</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Incr. %</u>	<u>Recom. Rate</u>	<u>Incr. %</u>
400	\$ 2.60	\$ 4.68	80.0%	\$ 4.15	59.6%
500	3.05	5.05	65.6	4.50	47.5
1,000	5.30	6.90	30.2	6.25	17.9
1,500	7.55	8.75	15.9	8.00	6.0
2,000	9.30	10.60	14.0	9.75	4.8
3,000	12.80	14.30	11.7	13.25	3.5

The rates recommended by the staff would result in a 12.2% operating revenue increase as compared with the 22% increase requested by the applicant.

Applicant has requested a change from a minimum charge to a service charge type of rate schedule which would result in sizable increases to the small quantity consumers.

Rates suggested by the staff have lowered the requested service charges to effect a more equitable distribution of this increase.

Results of Operation

Table 1 of Exhibit No. 1 presents applicant's recorded results of operation, after staff adjustments for the year 1969, along with a comparison of applicant's and staff's estimates of the results of operation for the estimated year 1970 at present and proposed rates.

Applicant in Exhibit No. 2 did not take exception to any of the staff estimates or adjustments.

Rate of Return

Applicant requested rates that it represented would produce a rate of return of 7.5%. The staff believes that 7.5% is a fair return for this utility. This rate of return applied to the staff's 1970 rate base of \$59,400 would produce net operating revenues of \$4,450. The required increase in gross operating revenues over revenues at present rates would be \$3,670, an increase of 12.2%. Total revenues required to produce this rate of return would be approximately \$34,000. Since applicant is 100% equity financed, the return on common stock equity would be equivalent to the return on rate base.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of additional revenues.
2. The staff estimates of operating revenues, operating expenses and rate base for the test year 1970 reasonably represent the results of applicant's future operations and are hereby adopted.
3. A rate of return of 7.5% is reasonable for this small water utility.
4. 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.

5. A public hearing is not necessary.


The Commission concludes that the application should be granted as set forth in the order which follows.

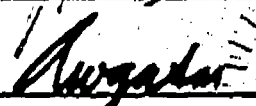
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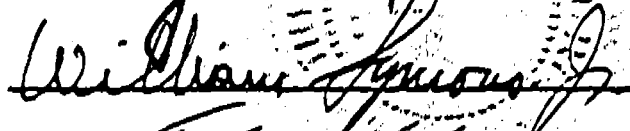
IT IS ORDERED that after the effective date of this order, Rancho Del Monte Water Co. is authorized to file the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

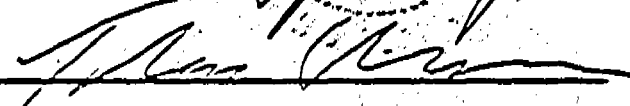
The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 17th day of AUGUST, 1970.



Chairman






Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Rancho Del Monte Subdivision and vicinity in Carmel Valley,
Monterey County.

RATES

		Per Meter Per Month	
Service Charge:			
For	5/8 x 3/4-inch meter	\$ 2.75	(I)
For	3/4-inch meter	3.20	
For	1-inch meter	3.70	
For	1 1/2-inch meter	6.00	
For	2-inch meter	8.00	
For	3-inch meter	15.00	
For	4-inch meter	25.00	
Quantity Rates:			
First	10,000 cu.ft., per 100 cu.ft.	\$ 0.35	
Over	10,000 cu.ft., per 100 cu.ft.30	(I)

The service charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

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