

ORIGINAL

Decision No. 77891

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LAKE GREGORY WATER)
 COMPANY for authority to increase)
 its public utility water rates,)
 and also for authority to issue a)
 note under Sections 454 and 818 of)
 the Public Utilities Code.)

Application No. 51979
 (Filed June 22, 1970)

INTERIM OPINION

Applicant renders water service in the San Bernardino Mountains adjacent to the village of Crestline approximately 10 miles northeast of the city of San Bernardino. Applicant seeks authority to increase its flat and metered service rates; and to issue an unsecured promissory note for \$129,000. The note is to cover the cost of replacing old, deteriorated mains and services paid for by applicant's parent, Lake Gregory Land and Water Company. Applicant presently serves about 1,240 flat and 70 metered rate customers.

Applicant's present rates are as follows:

Annual Metered Service

Annual Quantity Rates:

	<u>Per Meter Per Year</u>
First 4,800 cubic feet or less -----	\$ 48.00
Next 2,200 cubic feet, per 100 cubic feet -----	.60
Over 7,000 cubic feet, per 100 cubic feet -----	.40

Annual Minimum Charge:

	<u>Per Meter Per Year</u>
For 5/8 x 3/4 inch meter -----	\$ 48.00
For 1 inch meter -----	60.00
For 1-1/2 inch meter -----	80.00
For 2 inch meter -----	120.00

Annual Residential Flat Rate Service

<u>Rates:</u>	<u>Per Service Connection Per Year</u>
For a single-family residential unit, including premises -----	\$ 48.00
For each additional single-family residential unit on the same premises and served from the same service connection -----	36.00

Applicant's proposed rates are as follows:

Annual Metered Service

<u>Annual Quantity Rates:</u>	<u>Per Meter Per Year</u>
First 4,800 cubic feet or less -----	\$ 65.00
Next 2,200 cubic feet, per 100 cubic feet -----	.81
Over 7,000 cubic feet, per 100 cubic feet -----	.54

<u>Annual Minimum Charge:</u>	<u>Per Meter Per Year</u>
For 5/8 x 3/4 inch meter -----	\$ 65.00
For 1 inch meter -----	81.00
For 1-1/2 inch meter -----	108.00
For 2 inch meter -----	162.00

Annual Residential Flat Rate Service

<u>Rates:</u>	<u>Per Service Connection Per Year</u>
For a single-family residential unit, including premises -----	\$ 66.00
For each additional single-family residential unit on the same premises and served from the same service connection -----	49.00

The proposed rate increase would result in an increase in revenues of 37 percent according to projections in the application.

The staff of the Commission has made a report of applicant's water system which is hereby incorporated into the record as Exhibit No. 1.

Service

The staff report shows that the most significant customer complaint concerned unpleasant taste and odor in the water. This complaint stems from the purchased Lake Gregory water distributed during the high demand summer months. Although the water is chlorinated (because of the recreational use of Lake Gregory) and filtered, there is no taste or odor removal treatment. Other complaints concerned problems of outages, low water pressure, and dirty water in the upper elevations of the north shore portion of applicant's service area. The low pressure and outage problems are attributable to inadequate water storage capacity for the area and inadequate transmission mains into the area. Service pressures are adequate in the remainder of the system. The north shore area is fed through the distribution system from storage on the southeast side of Lake Gregory and from a connection to the Crestline Village County Water District adjacent to the north shore area. This connection is the source of applicant's purchased water. Applicant is making an engineering study of its system to develop solutions to the pressure and distribution problems and in preparation for receiving water from the state water project within approximately a year and a half.

Applicant does not have a telephone listing, nor designation of where its office is located, nor notice posted regarding the availability of its tariff schedules for inspection as required in General Order No. 96-A, paragraph VIII.B. Applicant does not have a recording pressure gauge as required in General Order No. 103, paragraph II.3.b., thereby precluding applicant from adequately investigating low pressure complaints.

Results of Operations - Staff Exhibit No. 1

Estimated Year 1970

Item	Present Rates		Proposed Rates	
	Staff	Applicant	Staff	Applicant
<u>Operating Revenues</u>				
Metered	\$ 6,240	\$ 3,696	\$ 8,440	\$ 4,995
Unmetered	59,820	61,788	82,250	84,738 ^{3/}
Other	30	30	30	30
Total Operating Revenue	66,090	65,514	90,720	89,763
<u>Deductions</u>				
Purchased Water	8,790	9,881	8,790	9,881
Power	1,400	1,568	1,400	1,568
Employee Labor	10,400	11,403	10,400	11,403
Office Supplies & Exp.	500	970	500	970
Accounting & Legal	1,250	2,050	1,250	2,050
Other O&M Expenses ^{1/}	15,340	15,337	15,340	15,337
Total O&M Expenses	37,680	41,209	37,680	41,209
Depreciation Expense	10,410	10,796	10,410	10,796
Property Taxes	7,830	8,074	7,830	8,074
Payroll Taxes	1,170	1,223	1,170	1,223
Business License	50	49	50	49
State Corp. Franchise Tax	100	- ^{2/}	1,580	1,215
Federal Income Tax	-	-	4,630	3,552
Total Deductions	57,240	61,351	63,350	66,118
Net Revenue	8,850	4,163	27,370	23,645
Rate Base	284,000	294,614	284,000	294,614
Rate of Return	3.1%	1.4%	9.6%	8.0%

^{1/} Difference due to rounding.

^{2/} Application did not include minimum tax.

^{3/} Applicant's incorrect figure originated in its Table No. 3. Corrected unmetered revenues should be \$84,955, which would result in net revenues of \$23,862 and a rate of return of 8.1%.

Discussion

The staff results of operation show that under current rates applicant is earning a 3.1 percent rate of return. Disregarding applicant's estimates, for the purpose of this opinion, we find that applicant's earnings are very low and applicant is entitled to some rate relief. Applicant seeks an increase of \$17 a year for metered service minimum charge for 5/8 by 3/4-inch meter, and \$18 a year for flat rate service plus a proportional increase in quantity rates. We will authorize an increase of \$8 annually for metered service minimum charge, and \$9 annually for flat rate service plus a proportional increase in quantity rates. This will increase revenues by \$12,330 and will increase applicant's rate of return to 6.5 percent as set forth in the following table:

RESULTS OF OPERATION
(Estimated Year 1970)

Interim Rates

Item	Interim Rates
<u>Operating Revenues</u>	
Metered	\$ 7,350
Unmetered	71,040
Other	30
Total Operating Revenues	<u>78,420</u>
<u>Deductions</u>	
Purchased Water	8,790
Power	1,400
Employee Labor	10,400
Office Supplies and Expenses	500
Accounting and Legal	1,250
Other O&M Expenses	15,340
Total O&M Expenses	<u>37,680</u>
Depreciation Expense	10,410
Property Taxes	7,830
Payroll Taxes	1,170
Business License	50
State Corp. Franchise Tax	720
Federal Income Tax	2,110
Total Deductions	<u>59,970</u>
Net Revenue	18,450
Rate Base	284,000
Rate of Return	6.5%

The interim rates and charges authorized herein are comparable to rates and charges of nearby water companies as shown in the following table:

Comparison of Annual Charges

Metered Service - 5/8 x 3/4-inch Meter

Annual Consumption: Cu. Ft.	Arrow-head Manor Water Co.	Arrow-head Utility Co.	Crest-line Village County Water District	Meadowbrook Water Company	So. Cal. Wtr. Co. Rimforest: Zone of Big Bear Tariff Area	Applicant: Interim: Rates
4,000	\$47.00 ^{1/}	\$85.20 ^{1/}	\$48.00 ^{1/}	\$66.00 ^{1/}	\$74.40 ^{1/}	\$56.00
4,800	48.56	85.20 ^{1/}	48.00 ^{1/}	74.00	79.20	56.00
5,000	49.60	85.20 ^{1/}	49.20	76.00	80.40	57.42
6,000	54.80	85.20 ^{1/}	55.20	86.00	86.40	64.52
8,000	61.80	85.20 ^{1/}	67.20	99.00	98.40	76.42

^{1/} Annual Minimum

This case will be set for hearing on December 10, 1970 for a determination on all issues in this case including whether the interim rates should be made permanent, or reduced, or increased to the level sought in the application. Pending the hearing applicant will be ordered to prepare and submit an engineering study to improve its system.

The staff has made a number of recommendations concerning the improvement of applicant's service. These recommendations as set forth below will be ordered. Applicant shall:

1. Maintain its books and records in accordance with the Commission's Uniform System of Accounts prescribed for Class A, B and C Water Utilities.

2. Maintain separately the utility records and invoices which have been comingled with records of affiliated companies.

3. Prepare and submit to the Commission staff for review a study of the allocated payroll, office supplies and expenses billed by Lake Gregory Land and Water Company.
4. Secure and maintain supporting workpapers to journal entries made by outside accountants.
5. Prior to the next hearing in this matter prepare and submit to the Commission an engineering study and time schedule for improving water service pressures in the north shore area of the service area.
6. Obtain a recording pressure gauge and institute a regular pressure survey program as specified in paragraph II.3 of General Order No. 103.
7. Within 30 days after the effective date of this decision file a revised tariff service area map showing current service area boundaries. Such filing should comply with General Order No. 96-A.
8. Prepare and maintain the system map specified in paragraph I.10a. of General Order No. 103 and file two copies with the Commission.
9. Post a notice of the availability for inspection of its tariff schedules as required in paragraph VIII.B of General Order 96-A.
10. Obtain a telephone listing in the local telephone directory.

11. Use the depreciation rates derived in Table I of the staff report for the year 1970. Until review indicates otherwise, applicant should review its depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Results of these reviews should be submitted to the Commission in writing.

A Commission financial examiner recommends that applicant be authorized to issue the note requested in an amount not to exceed \$129,000 at 8.5 percent annual interest on the unpaid balance.

The Commission finds that the estimates of operating revenues, expenses, and rate base as submitted by the staff reasonably represent the results of applicant's operations for the purpose of this interim order. The Commission finds that applicant is in need of interim rate relief and 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 prescribed herein are for the future unjust and unreasonable. The Commission finds that the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. Other matters, such as differences in rate base and results of operations between the staff and applicant, service complaints, and compliance with this order, will be considered at the public hearing scheduled for December 10, 1970.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order applicant, Lake Gregory 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.

2. Within thirty days after the effective date of this order applicant shall file a revised tariff service area map showing current service area boundaries. 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. Applicant shall maintain its books and records in accordance with the Commission's Uniform System of Accounts for Class A, B and C Water Utilities; maintain separately the utility records and invoices which have been comingled with records of affiliated companies; prepare and submit to the Commission staff for review a study of the allocated payroll, office supplies and expenses billed by Lake Gregory Land and Water Company; secure and maintain supporting workpapers to journal entries made by outside accountants; post a notice of availability for inspection of its tariff schedule as required in paragraph VIII.B of General Order 96-A; and obtain a telephone listing in the local telephone directory.

5. Applicant shall, prior to the next hearing in this matter, prepare and submit to the Commission an engineering study and time schedule for improving water service pressures in the north shore area of the service area.

6. Within 30 days after the effective date of this order applicant shall obtain a recording pressure gauge and institute a regular pressure survey program as specified in paragraph II.3 of General Order No. 103.

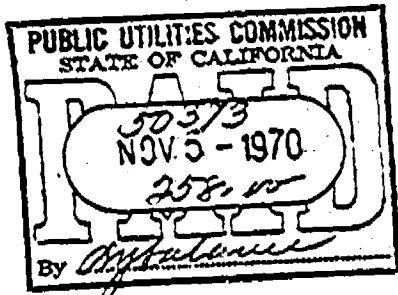
7. Applicant shall use the depreciation rates derived in Table I of the staff report for the year 1970. Until review indicates otherwise, applicant shall review its depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Results of these reviews should be submitted to the Commission in writing.

8. Applicant, on or after the effective date hereof and on or before March 31, 1971, for the purpose specified in this proceeding, may issue a note in the principal amount of not exceeding \$129,000, which note shall be in the same form, or in substantially the same form, as that attached to the application as Exhibit A.

9. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order insofar as applicable, is hereby made a part of this order.

Ordering paragraph 8 shall become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$258. In all other respects, the effective date of this order is the date hereof.

Dated at San Francisco, California, this 4th day of NOVEMBER, 1970.



[Signature] Chairman
[Signature]
William J. Lyons
[Signature]
Vernon L. Stinson Commissioners

APPENDIX A
Page 1 of 4

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Lake Gregory and vicinity, San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Year</u>	
Annual Quantity Rates:		
First 4,800 cu.ft. or less	\$ 56.00	(T)
Next 2,200 cu.ft., per 100 cu.ft.	0.72	
Over 7,000 cu.ft., per 100 cu.ft.	0.48	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 56.00	(T)
For 1-inch meter	70.00	
For 1 1/2-inch meter	90.00	
For 2-inch meter	140.00	

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

(Continued)

APPENDIX A
Page 2 of 4

Schedule No. 1A

ANNUAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. One-half of the Annual Minimum Charge shall be due and payable on or before January 10, and shall become delinquent February 1 of that year. The remaining one-half of the Annual Minimum Charge shall be due and payable on or before July 10, and shall become delinquent August 1 of that year.
2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.
3. Multiple dwelling projects operated as a single enterprise may be served through a single master meter. A separate meter is required for each commercial establishment.
4. Meters will be read on or about the last day of March, June, September and December, and within ten days thereafter each customer having used water in excess of that quantity which its Annual Minimum Charge will purchase, will be rendered a statement, payable upon presentation, which will show the meter readings and the charges due at the annual quantity rates.

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Lake Gregory and vicinity, San Bernardino County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>	
For a single-family residential unit, including premises	\$57.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	43.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
3. Annual Flat Rates shall be payable in two installments, first half due and payable on or before January 10, and shall become delinquent on February 1 of that year; second half due and payable on or before July 10, and shall become delinquent on August 1 of that year.

(Continued)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS--Contd.

4. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.