

ORIGINAL

Decision No. 78176

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
ROSSMOOR WATER COMPANY For an Order  
Authorizing a Raise in Rates.

Application No. 50365  
(Filed July 1, 1968)  
(Amended January 20, 1969)

In the Matter of the Application of  
ROSSMOOR WATER COMPANY For an Order  
Authorizing an Increase in Rates to  
Offset the Increased Cost of Purchased  
Water, Increased Ad Valorem and Income  
Taxes and to Adjust Amortization of  
Regulatory Commission Expense.

Application No. 51980  
(Filed June 22, 1970)

Milford W. Dahl, Attorney at Law, for  
Rossmoor Water Company, applicant.  
Martin E. Whelan, Jr., Inc., by  
Martin E. Whelan, Jr., Attorney at Law,  
for Leisure World Foundation and Mutual  
Housing Corporations of Leisure World;  
John W. Reed; James Hopson; Don Dring;  
Robert K. Booher; D. S. Karn; Charles  
W. O'Brien; G. B. Arthun and E. J. Wagner,  
protestants.  
Chester O. Newman, for the Commission staff.

O P I N I O N

The above matters were consolidated for hearing and after due notice, public hearings thereon were held before Examiner Rogers in Laguna Hills, California, on October 7 and 8, 1970. At the conclusion of the last day of hearing the parties were given time in which to file concurrent briefs. Briefs were filed and the matters were submitted. They are ready for decision.

History

Application No. 50365 was filed on July 1, 1968 and an amendment was filed on January 20, 1969. On February 17, 1969, applicant requested an interim rate increase and on March 18, 1969, this request was granted by Decision No. 75458. Thereafter, after five days of hearing the Commission issued Decision No. 76387 authorizing increased rates. These rates were modified to the presently effective level by Decision No. 76662, dated January 13, 1970. Leisure World Foundation and Mutual Housing Corporations of Leisure World, hereinafter Leisure World, filed a document on December 3, and an amendment on December 17, 1969, alleging that the tariff schedules approved by Decision No. 76387 would produce excess revenues over the 7.2 percent rate of return found reasonable by the Commission. The Commission, in Decision No. 76662, supra, stated: "The allegations contained in the response of Leisure World Foundation are without merit in that they are based on assumed test year volumes of metered construction water sales and are inconsistent with other elements of the test year estimated operating results."

On January 23, 1970, Leisure World filed a document entitled "Petition for Modification of Decision and Order as Modified; Petition for Rehearing; and Petition for Suspension of Order Modifying Decision". On March 9, 1970, Leisure World filed a document entitled "Abandonment of Petition for Rehearing" in which it alleged that proper modification may be effected without a rehearing.

A-50365 - LR  
A-51980

On April 7, 1970, the Commission issued its "Order Granting Rehearing" (Decision No. 77055) in which it stated that " -- said rehearing shall be limited to the subject of construction water sales and revenue and related expense items, and the effect such matters may have, if any, on the rates fixed in Decision No. 76662."

On June 22, 1970, the applicant filed Application No. 51980 entitled: "In the Matter of the Application of ROSSMOOR WATER COMPANY, For an Order Authorizing an Increase in Rates to Offset the Increased Cost of Purchased Water, Increased Ad Valorem and Income Taxes and to Adjust Amortization of Regulatory Commission Expense".

The Examiner consolidated the matters for hearing and advised all parties that inasmuch as the new application necessarily included the limited rehearing, the rehearing on Decision No. 76662 would be dismissed. We concur in this ruling and will dismiss the rehearing of Decision No. 76662 thereby finalizing that matter.

A-50365 - LR/ds \*  
 A-51980

The petition for modification (Application No. 51980) relates to cost and quantity of purchased water, increased taxes (ad valorem and income) and regulatory Commission expense.

The applicant proposes to increase its rates as follows:

GENERAL METERED SERVICE

<u>Rates</u>	<u>Present</u> Per meter per month	<u>Proposed</u> Per meter per month
Quantity Rates:		
First 500 cu.ft. or less .....	\$ 3.75	\$ 3.86
Next 800 cu.ft., per 100 cu.ft. ....	0.50	0.522
Next 6,700 cu.ft., per 100 cu.ft. ....	0.38	0.402
Next 10,000 cu.ft., per 100 cu.ft. ....	0.35	0.372
Next 30,000 cu.ft., per 100 cu.ft. ....	0.31	0.331
Over 48,000 cu.ft., per 100 cu.ft. ....	0.29	0.311

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 3.75	\$ 3.86
For 3/4-inch meter .....	5.00	5.15
For 1-inch meter .....	9.00	9.25
For 1½-inch meter .....	15.00	15.50
For 2-inch meter .....	24.00	24.75
For 3-inch meter .....	37.00	38.00
For 4-inch meter .....	55.00	57.00
For 6-inch meter .....	110.00	113.00

METERED CONSTRUCTION WATER

<u>Rates</u>	<u>Present</u> Per meter per month	<u>Proposed</u> Per meter per month
Quantity Rates:		
First 12,500 cu.ft. or less .....	\$ 38.00	\$ 40.25
Over 12,500 cu.ft., per 100 cu.ft. ....	.30	.322
Minimum Charge:		
For 2-inch meter .....	\$ 38.00	\$ 40.25
For 3-inch meter .....	51.00	54.00
For 4-inch meter .....	76.00	81.00
For 6-inch meter .....	150.00	160.00
For 8-inch meter .....	300.00	318.00

A staff hydraulic engineer recommended that the applicant be permitted to increase its general metered rates to the following level:

		<u>Per Meter</u> <u>per month</u>
<b>Quantity Rates:</b>		
First	500 cu.ft. or less .....	\$ 3.80
Next	800 cu.ft., per 100 cu.ft. ....	.50
Next	6,700 cu.ft., per 100 cu.ft. ....	.39
Next	10,000 cu.ft., per 100 cu.ft. ....	.35
Next	30,000 cu.ft., per 100 cu.ft. ....	.31
Over	48,000 cu.ft., per 100 cu.ft. ....	.30

**Minimum Charge:**

For	5/8 x 3/4-inch meter .....	\$ 3.80
For	3/4-inch meter .....	5.00
For	1-inch meter .....	9.00
For	1½-inch meter .....	15.00
For	2-inch meter .....	24.00
For	3-inch meter .....	37.00
For	4-inch meter .....	55.00
For	6-inch meter .....	110.00

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

The engineer stated that proration of the recommended increase in revenue between the General Metered Service schedule and the Metered Construction Service schedule results in an increase for the Metered Construction Service schedule of \$170 which for rate calculation purposes is not significant.

In Decision No. 76662 supra, the Commission found a rate of return of 7.2 percent on applicant's adjusted rate base of \$2,091,960 reasonable.

A-50365 - LR/ds \*  
A-51980

In calculating the revenues applicant would receive from construction water sales for the purpose of determining reasonable rates on Application No. 50365, the Commission erred in that it overestimated the amount of construction water sold for the test year by 314.1 acre-feet and assumed the applicant had revenues (and corresponding expenses) on that basis.<sup>1/</sup>

For the present proceeding, the staff engineer adjusted the revenues to reflect the reduced water purchases, 4,010.3 acre-feet, and increased cost of water per acre-foot, \$4.00, and adjusted for increased taxes and regulatory Commission expenses, then calculated the added revenues required to enable applicant to realize the 7.2 percent rate of return heretofore found reasonable for the applicant.

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<sup>1/</sup> At the time of the hearing on Application No. 50365, the cost of water to applicant was \$66.50 per acre-foot; thus the expenses for water were overstated by approximately \$20,888.

The staff's adjusted summary of earnings is as follows:

Summary of Earnings  
Year 1969 Estimated

Item	Column 1 As Authorized	Column 2 Adjustments	Column 3 Staff Estimate Including Offset Changes
Operating Revenue	\$ 667,700	\$ 7,450	\$ 675,160
Deductions			
Purchased Water	287,570	(4,840)	282,730
Reg. Commission Exp.	4,000	4,720	8,720
Other Operating Exp.	85,530	-	85,530
Depreciation	79,830	-	79,830
Ad Valorem Taxes	53,320	2,740	56,060
Payroll Taxes	1,700	-	1,700
Taxes on Income	4,950	4,840	9,790
Total Deductions	516,900	7,460	524,360
Net Revenue	150,800	-	150,800
Rate Base	2,091,960		2,091,960
Rate of Return	7.2%		7.2%

(Red Figure)

In the above table, Column 1 summarizes revenues, expenses and rate base to determine the rate of return for the year 1969 as authorized in Decisions Nos. 76387 and 76662. Column 2 shows the combined effect of the increase in purchased water cost of \$4.00 per acre-foot and the staff's revised estimate of metered construction water sales together with the staff estimates of the adjustments to offset the increased expenses noted, and the increase in gross revenues necessary to produce a rate of return of 7.2%. Column 3 presents the staff estimate for 1969 including all of the adjustments shown in Column 2.

Applicant requests increased rates to offset the effect of the increase in cost of purchased water. El Toro Water District (applicant's sole source of supply) increased its charge for water from \$66.50 to \$70.50 per acre-foot, effective July 1, 1970, or an increase of \$4.00 per acre-foot for all water purchased by applicant. However, as a result of revised construction water sales estimates,<sup>2/</sup> the amount of water purchased by applicant has been reduced from 4,324.4 acre-feet to 4,010.3 acre-feet. The net effect of the \$4.00 per acre-foot increase in cost of purchased water, together with the decrease in the estimated amount of water purchased, results in a net decrease of \$4,840 in the estimated 1969 cost of purchased water.

The applicant concedes that the amount of water purchased was overstated due to less construction water being sold than the Commission estimated. Nevertheless, the applicant attempts, by some calculation legerdemain, to show that it is entitled to an additional \$15,997 to compensate for a claimed increased cost of water.

We find that the staff's estimate of the net cost of purchased water is reasonable and it will be used for the purposes of this decision.

Applicant also requests an increase in rates to offset increased regulatory Commission expenses incurred over the past three years. Applicant's expenses for this proceeding through December 31, 1969 exceeded that adopted in Decision No. 76387 by \$23,600 or \$4,720 per year spread over a five-year period.

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<sup>2/</sup> The applicant recorded 11.6 acre-feet of purchased water less than the staff allowed.



The applicant and the staff agreed on the amount of the regulatory Commission expense increase. We find that the sum of \$8,720 per year (for five years) is a reasonable sum to allow for regulatory Commission expense.

Ad valorem taxes are, at this time, strictly estimates. As they are estimates we will accept the staff's which we find reasonable.

The staff's estimate of income taxes is higher and will be accepted. We find that the staff's estimate of income taxes is reasonable.

We find that the staff's estimates of the changes necessary to give the applicant a 7.2 percent rate of return on the \$2,091,960 rate base found reasonable by Decisions Nos. 76387 and 76662, supra, are reasonable and should be adopted herein.

Several water users appeared as protestants. They objected to increased rates and the water quality.

The rates, of course, are held to the lowest possible level consistent with a reasonable return to the applicant on its investment. This the Commission has always attempted to do. Comparisons with other utilities are unfair unless revenues, expenses, rate base (percentagewise) and cost of money are comparable.

Some of the consumers talked about the water quality and taste. It appears that the applicant's sole source of supply is the El Toro Water District. The district's reservoir has acquired a great deal of marine growth which may cause some of the taste objected to. Applicant has contacted the district relative to cleaning its reservoir. The chlorine taste, if there is such, is periodic and there appears to be nothing the applicant can do to alleviate such.

Findings and Conclusions

The Commission finds that:

1. The Order on Decision No. 76662, dated January 13, 1970, in Application No. 50365 should be affirmed.
2. There were errors in calculating the amount of water required in arriving at the rates set in Decision No. 76662 but said errors are corrected by the order herein.
3. Applicant is in need of increased revenues to offset the error resulting from the water use calculations in Decision No. 76662, supra, the increased cost per acre-foot of purchased water, the increased ad valorem and income taxes, and added regulatory expenses.
4. The staff's estimates of the revenue increase required to offset the smaller water usage, increased cost of water, increased ad valorem and income taxes and regulatory Commission expense are reasonable and should be adopted.
5. The increases in 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.

We conclude that the Order of Decision No. 76662 should be affirmed and that applicant should be authorized to increase its general metered rates to the level set in Appendix A herein.

O R D E R


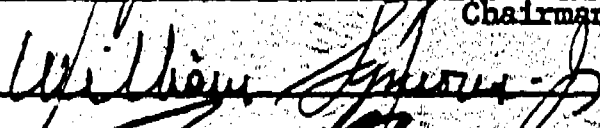

IT IS ORDERED that:

1. Decision No. 76662 dated January 13, 1970, in Application No. 50365 is affirmed.

2. Rossmoor Water Company is authorized to file, after the effective date of this order the revised rate schedule for General Metered Service 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 and it shall apply only to service rendered on and after the effective date.

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

Dated at San Francisco, California, this 13<sup>th</sup> day  
of JANUARY, 1971.

  
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Chairman  
  
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Commissioners

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

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to general metered water service.

TERRITORY

El Toro, Laguna Hills, and Rossmoor Leisure World, and vicinity, Orange County.

RATES

		<u>Per Meter</u>	
		<u>Per Month</u>	
Quantity Rates:			
First	500 cu.ft. or less .....	\$ 3.80	(I)
Next	800 cu.ft., per 100 cu.ft. ....	.50	
Next	6,700 cu.ft., per 100 cu.ft. ....	.39	(I)
Next	10,000 cu.ft., per 100 cu.ft. ....	.35	
Next	30,000 cu.ft., per 100 cu.ft. ....	.31	
Over	48,000 cu.ft., per 100 cu.ft. ....	.30	(I)

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 3.80	(I)
For	3/4-inch meter .....	5.00	
For	1-inch meter .....	9.00	
For	1 1/2-inch meter .....	15.00	
For	2-inch meter .....	24.00	
For	3-inch meter .....	37.00	
For	4-inch meter .....	55.00	
For	6-inch meter .....	110.00	

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