

ORIGINAL

Decision No. 78610

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)

Knapp, Gill, Hibbert & Stevens,  
by Wyman C. Knapp, Attorney at  
Law; and William P. Arnold,  
for applicant.  
Chester O. Newman and Casimir  
Strelinski, for the Commission  
staff.

O P I N I O N

Applicant renders water service in the San Bernardino Mountains, adjacent to the village of Crestline, approximately ten 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 1,200 flat and 115 metered rate customers.

At the time of the filing of the application, applicant's basic rate for water service was: metered service - \$48 per year for 4,800 cubic feet, or less; flat rate service - \$48 per service connection per year. Applicant proposed to increase

its rates to the following levels: metered service - \$65 per year for 4,800 cubic feet, or less; flat rate service - \$66 per service connection per year. By interim opinion in Decision No. 77891, dated November 4, 1970, the Commission authorized the issuance of the promissory note and an increase in rates to the following levels: metered service - \$56 per year for 4,800 cubic feet, or less; flat rate service - \$57 per service connection per year. The interim rates were authorized because staff investigation showed that under the company's rates prior to the date of filing the application the company was earning only 3.1 percent rate of return on a rate base of \$284,000. The staff was of the opinion that the company should be entitled to earn approximately 8 percent and that under the rates authorized in the interim opinion the company would earn only 6.5 percent rate of return. A more detailed explanation of the company's present and proposed rates and the results of operation study of both the company and the staff are fully set forth in Decision No. 77891 and need not be repeated here.

Public hearings on the application were held in San Bernardino on December 10 and 11, 1970; and in Los Angeles on March 5, 1971, before Examiner Robert Barnett.

At the hearing on March 5, 1971, the staff stated that its report on applicant should be modified to reflect changes that have occurred since its preparation. The two basic changes were that in 1970 the company installed approximately 3,800 feet of 8-inch main in Arosa Drive at a cost of approximately \$60,000 and that two additional improvements of approximately \$42,800

would be installed on the company system before July 1, 1971. The staff is of the opinion that these three items should be included in rate base and would increase the staff rate base estimate by about \$100,000. This would have the effect of reducing the staff's estimated rate of return at proposed rates from 9.6 percent to 6.3 percent, well below the staff's recommended rate of return of 8 percent. The staff has no objection to applicant's proposed rates. Because of the staff position concerning rate base and rate of return, there is no need to discuss the differences between applicant's rate base and rate of return and the staff rate base and rate of return; the ultimate result in either case is to authorize the rates proposed by applicant. Therefore for the purposes of this proceeding we will adopt the results of operations study presented by the staff as modified by the approximately \$100,000 of improvements discussed above:

MODIFIED RESULTS OF OPERATION  
(Estimated Year 1970)

Item	Adopted Rates
Operating Revenues	\$ 90,720
<u>Deductions</u>	
O & M Expenses	37,680
Depreciation Expense	12,480
Taxes, Other Than on Income	11,460
Taxes Based on Income	<u>4,980</u>
Total Deductions	66,600
Net Revenue	24,120
Rate Base	383,500
Rate of Return	6.3%

In Decision No. 77891, the Commission ordered applicant to do the following:

- (a) 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.
- (b) 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.
- (c) 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.
- (d) 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.

At the hearing, applicant testified that it is in full compliance with the above.

The remaining problem concerning applicant's operation is service. There was testimony at the hearings concerning taste and odor of the water, water pressure, and metering. The taste and odor complaint stems from the distribution of purchased Lake Gregory water during the high demand summer months. Although the water is chlorinated and filtered due to the recreational use of Lake Gregory, there is no taste or odor removal treatment. The cost to applicant to correct this problem would be excessive and will not be ordered. The problems concerning low pressure involve only approximately 10 percent of applicant's system. Since those complaints were received, applicant has installed about \$60,000 of new mains and is in the process of installing approximately \$42,000 in additional mains. These improvements should obviate most of the pressure problems and, if not, applicant is prepared to install additional equipment.

Metering presents a separate problem. As applicant's system grows it is more and more dependent upon purchased water to meet customer demands, especially during peak summer months. Customers on applicant's system range from year-round residents to people who use their homes only a few weekends a year. In between are those who use their homes for a few weeks to a few months every year. Because of this great disparity in individual demand and the fact that some water now must be purchased, it is clear that a flat rate schedule discriminates against the low demand user. Applicant realizes this and has been implementing a selective metering plan for present customers and has instituted a rule which requires all new customers to be metered. The

selective metering plan consists of the company employees observing which homes appear to use the most water (e.g., raising flowers, plants, trees, or other landscaping) and metering those customers on the assumption that such obvious use requires the consumption of large amounts of water. This selective metering has resulted in a number of complaints from users, usually those who are metered, alleging discrimination.

It is not economically feasible for the company to install 1,200 meters on its system within a short period of time. Any metering program will have to cover a number of years and, to be effective, should cover the large users first. We do not doubt that applicant is making a bona fide attempt to meter the large customers. However, the method chosen is bound to cause complaints of discrimination. In our opinion applicant should utilize a more systematic method than mere visual inspection. Perhaps a method based upon length of residence, value of home, or configuration of a particular area should be utilized. In any case, we will not order a particular method of metering, but we will order the company to submit within one year of the effective date of this order a metering plan that is less haphazard than its present plan, and which involves the metering of at least 100 homes a year.

We note that at the hearing a number of customers testified that the company's service was excellent and that they had no problems with water service. It is our opinion that considering the relatively few customers of the company and its mountain location, the company is providing good service.

Findings of Fact

1. For the purposes of this proceeding, the estimates of operating revenues, expenses, and rate base, as submitted by the staff, are reasonable.

2. At proposed rates applicant will earn a rate of return of 6.3 percent, which is reasonable.

3. Applicant is in need of rate relief and the increases in rates and charges authorized herein are justified, and 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.

4. Applicant's service is good.

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

O R D E R

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. Applicant shall meter all new customers.

3. Within one year of the effective date of this order, applicant shall submit a metering plan to this Commission which provides for systematic metering of at least 100 present customers a year.

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

Dated at Los Angeles, California,  
this 27th day of APRIL, 1971.

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Chairman  
*William J. ...*  
\_\_\_\_\_  
\_\_\_\_\_  
*[Signature]*  
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

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



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

Annual Quantity Rates:	<u>Per Meter Per Year</u>	
First 4,800 cu. ft. or less .....	\$ 65.00	(I)
Next 2,200 cu. ft., per 100 cu. ft. ....	.81	
Over 7,000 cu. ft., per 100 cu. ft. ....	.54	(I)
Annual Minimum Charge:	<u>Per Meter Per Year</u>	
For 5/8 x 3/4-inch meter .....	\$ 65.00	(I)
For 1-inch meter .....	81.00	
For 1 1/2-inch meter .....	108.00	
For 2-inch meter .....	162.00	(I)

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

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. 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. (N)  
(N)

(Continued)

Schedule No. 1A

ANNUAL METERED SERVICE

SPECIAL CONDITIONS - Contd.

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 ( $1/365$ ) 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 (10) 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. Meters may be read and quantity charges billed during the winter season at intervals greater than 3 months.

(N)  
(N)  
(N)

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 Per Year</u>	
For a single-family residential unit, including premises .....	\$ 66.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection .....	\$ 49.00	(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.

(Continued)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS - Contd.

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. 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.

(N)  
(N)

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 ( $1/365$ ) 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.