

ORIGINAL

Decision No. 78787

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of STINSON BEACH WATER COMPANY,)
a corporation, under Section 454)
of the Public Utilities Code for)
Authority to Increase Rates for)
Water Service.)

Application No. 52285
(Filed November 6, 1970)

Verner R. Muth, for applicant.
Col. George H. White, for Stinson Beach Volunteer
Fire Department; and Robert Dieter and Hugh
Dougherty, for themselves; interested parties.
John D. Reader, for the Commission staff.

O P I N I O N

By this application, Stinson Beach Water Company (applicant) requests authority to increase its meter revenue by 30% and its unmetered revenue by 42% or a gross revenue increase of about 33% over the rates now in effect.

Public hearing was held before Examiner Gillanders in Stinson Beach on March 24, 1971, and the matter submitted on April 22, 1971 upon receipt of the late filed Exhibit 2-A. Copies of the application had been served and notice of hearing had been mailed, published and posted in accordance with this Commission's rules of procedure.

Testimony on behalf of applicant was presented by its president and its consulting engineer. The Commission staff presentation was made by an engineer. Nineteen customers attended the hearing, three of whom gave testimony.

Ownership and Affiliated Interests

The president and principal stockholder of applicant, George P. Leonard, also owns and operates a public utility known as Golfito Water Company which, as its only customer, provides the entire water supply of applicant. Mr. Thomas G. Leonard is vice president; Mrs. Wilma Leonard is secretary; and Mrs. Glenna Boland is treasurer of applicant.

Description of System

Applicant receives its total water supply from five intakes on springs and creeks located on the Las Baulinas Ranch doing business as Golfito Water Co. Water from four of the intakes flows into two steel and four redwood tanks with a total capacity of 840,000 gallons. Water from the remaining intake is pumped to a 210,000-gallon steel tank. Additional storage capacity is provided by a 30,000-gallon redwood tank that floats on the system thus providing a total storage capacity of 1,080,000 gallons. Water treatment is provided by automatic chlorinators at each of the collecting tanks and in the near future by installation of a pressure filter at the site of the tanks at the highest level. A submerged pump in a lower tank can augment water to the highest level tanks if the supply from their intakes is not sufficient. Golfito Water Company's effective filed tariff provides for a monthly quantity rate of \$0.11 per 100 cu. ft., and an annual minimum charge of \$1,200. This rate was authorized on May 24, 1966 by Commission Decision No. 70739.

The distribution system consists of approximately 58,000 feet of steel and asbestos-cement pipe ranging in size from 1 to 8 inches in diameter.

As of December 31, 1969, applicant served 238 active metered customers, 208 active flat rate customers and provided fire protection through 55 fire hydrants.

Rates

Applicant's present rates became effective by Decision No. 70894, dated June 21, 1966 in Application No. 47985.

Rate Proposal

The following tabulation shows applicant's present and proposed annual general metered service rates:

<u>Monthly Quantity Rates</u>		<u>Per Meter Per Month</u>		<u>Percentage Increase Over Present Rates</u>
		<u>Present Rates</u>	<u>Proposed Rates</u>	
First	500 cu.ft. or less	\$ 4.25	\$ 6.00	41.2%
Next	1,000 cu.ft., per 100 cu.ft.	.55	.60	9.1
Next	1,000 cu.ft., per 100 cu.ft.	.40	.45	12.5
Over	2,500 cu.ft., per 100 cu.ft.	.30	.30	-

Annual Minimum Charge

		<u>Per Meter Per Year</u>		
For	5/8 x 3/4-inch meter	\$ 51.00	\$ 72.00	41.2%
For	3/4-inch meter	70.00	93.00	32.9
For	1-inch meter	105.00	138.00	31.4
For	1 1/2-inch meter	180.00	210.00	16.7
For	2-inch meter	240.00	288.00	20.0
For	3-inch meter	390.00	432.00	10.8
For	4-inch meter	600.00	648.00	8.0

The following tabulation shows applicant's present and proposed annual residential flat rate service rates:

	<u>Per Service Connection Per Year</u>		
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percentage Increase Over Present Rates</u>
For a single-family residential unit, including premises	\$ 57.00	\$ 81.00	42.1%
For each additional single-family residential unit on the same premises and served from the same connection	25.00	36.00	44.0

Results of Operation

Applicant's witness and a Commission staff witness analyzed and estimated applicant's operational results. Summarized in the following table, based on applicant's Exhibit 1 and staff's Exhibit 3, are the estimated results of operation for the test year 1970, under present rates and under those proposed by applicant:

TABLE 1
Stinson Beach Water Company
RESULTS OF OPERATIONS

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Item	Present Rates - Staff		Proposed Rates - Staff		Company		
	1969 Recorded	Adjusted 1969	Estimated 1970	Adjusted 1969	Estimated 1970	Present Rates 1970	Proposed Rates 1970
Operating Revenues	\$30,247	\$ 32,269	\$ 33,260	\$ 43,280	\$ 44,220	\$32,960	\$ 44,240
Operating Expenses							
Purchased Water	7,110	7,110	7,300	7,110	7,300	7,300	7,300
Purchased Power	1,061	1,061 ^{d/}	1,100	1,061 ^{d/}	1,100	1,100	1,100
O&M Exp. - Labor	7,563	8,040 ^{d/}	8,300	8,040 ^{d/}	8,300	8,300	8,300
" " - Materials	1,744	1,744 ^{e/}	1,800	1,744 ^{e/}	1,800	1,900	1,900
" " - Contract Work	430	750 ^{e/}	750	750 ^{e/}	750	750	750
Office Salaries	1,540	1,735 ^{d/}	1,800	1,735 ^{d/}	1,800	1,800	1,800
Management Salary	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Office Supplies & Exp.	319	320	320	320	320	350	350
Insurance Expense	1,461	1,020 ^{a/}	1,020	1,020 ^{a/}	1,020	700	700
Accounting & Legal	210	210	300	210	300	400	400
General Expense	277	277	300	277	300	250	250
Vehicle Expense	1,528	1,300 ^{b/}	1,300	1,300 ^{b/}	1,300	1,300	1,300
Office & Storage Exp.	620	900 ^{b/}	900	900 ^{b/}	900	1,020	1,020
Total O&M	26,243	26,867	27,590	26,867	27,590	27,570	27,570
Depreciation Exp.	4,094	4,600	4,750	4,600 ^{e/}	4,750	5,040	5,040
Property Taxes	1,527	2,390	2,480	2,390 ^{e/}	2,480	(2,350	1,550
Payroll Taxes	754	754	784	754	784	(800
Cal. Corp. Franchise Tax	15	100	100	203	203	15	(1,540
F.I.T.	-	-	-	592	594		
Subtotal	6,390	7,844	8,114	8,539	8,811	7,405	8,930
Net Revenue	(2,386)	(2,442)	(2,444)	7,874	7,819	(2,015)	7,740
Rate Base	-	114,886	117,190	114,886	117,190	-	117,490
Rate of Return	(Loss)	(Loss)	(Loss)	6.85%	6.67%	(Loss)	6.59%
				(Red Figure)			

- a/ Adjusted for 3-year payment of liability insurance.
- b/ Rollback of nonrecurring increase of shop rent.
- c/ Adjusted for roll back plant.
- d/ Adjusted for nonrecurring wage increases.
- e/ Adjusted for tank painting spread over 5 years.

The differences between the staff engineer's and applicant's 1970 estimated results are as follows:

- a. Operating Expenses - The primary differences between staff's and applicant's estimates are in the following accounts: Insurance expense - the staff used the actual expense for 1969 reduced by the amount of insurance purchased for periods in excess of one year; office and storage expense is the amount actually charged for a storeroom which is not used exclusively for the water company; therefore, the staff estimated an amount that would refer to the water company only.
- b. Depreciation Expenses - The difference between the staff's and applicant's depreciation expense is due to inclusion of depreciation accrual on contributed plant in depreciation expense by applicant, whereas the staff did not include this amount.
- c. Taxes Other Than Income - The staff has included estimated ad valorem taxes on the plant additions, whereas applicant continued ad valorem taxes at the same total level as recorded in 1969.
- d. The difference in rate base is due to the applicant's use of year end figures instead of average figures.

Service

There have been three informal complaints to the Commission since January 1, 1967. Two of them were with respect to high bills for metered service and one was a customer request for prorated payment of annual bills. All these complaints have been resolved. A field inspection of the water plant facilities was made in November, 1970, by a staff engineer. At that time pressures ranged from 25 to 100 psig and the supply of water was adequate. According to the staff engineer, the installation of a new 420,000-gallon storage tank late in 1970 raised the total storage capacity to 1,080,000 gallons thus improving the domestic supply and the fire protection capability. The installation of the pressure filter should improve the quality of the water.

The utility has a water supply permit issued on April 3, 1962. Samples of the water supply are tested monthly.

Water Service to Stinson Beach State Park

Persons attending the hearing were concerned that service supplied to the State Park during the peak summer months of public use of the park was causing some of the water supply problems experienced by the year round customers. They were also concerned whether the park was carrying its fair share of the burden of providing revenue to applicant.

The examiner requested applicant to provide late filed Exhibit 2 showing consumption of the State Park for prior years. He requested the staff to analyze Exhibit 2 and provide its analysis of Exhibit 2 in the form of an Exhibit (Exhibit 2-A).

Exhibit 2-A shows the following:

"The total annual sales to the state park through two metered service connections show that for the last three years sales have been about the same at 165,000 to 167,000 cubic feet. Prior to 1968 the park used considerably more water. The maximum demands on the water system have occurred during July. Sales during this month were 25,180, 21,440 and 22,320 cubic feet in 1968, 1969 and 1970, respectively.

"Therefore the contention of one of the interested parties that the sales of water and demand placed upon the water system by the park have been a steadily increasing burden, does not appear to be supported by these facts. It would appear to be more likely that the problems in recent years were related to variations and the timing of rainfall and the resulting fluctuations in water supply available. The sizeable increase in storage capacity installed late in 1970 should reduce this problem in the future.

"There is merit in the suggestions of interested parties that the cost of water to the state park should be increased about the same amount as the cost to domestic customers since it has been a burden on the water system. However, the effect of increasing the last quantity block in the meter rate schedule from 30 to 35 cents would produce additional revenues of only \$53.00 annually from the state park.

"It would not be reasonable to raise this block higher than 35 cents without also increasing the rates in the other blocks which would further increase the cost to most of the domestic customers. If the Commission were to increase the last quantity block rate from 30 to 35 cents, it would also affect one other customer who purchases water in the last block. The cost of his water is estimated to increase about \$20 more than it would under applicant's proposed rates, based on his 1970 water use. Therefore the total increase in revenues might be about \$75.00 resulting in an increase to the three large meter accounts of about 21% over present rates.

"To offset this additional revenue, a reduction of one to one and a half cents per domestic customer bill would be the magnitude of the adjustment. Even if it were possible to increase the cost of water to the state park by 33% or some amount more comparable to the increase to domestic customers, without further increasing the cost to domestic customers, it is apparent that the resulting adjustment to the average monthly domestic bill would be about two cents. We conclude that the requested rates are reasonable."

Fire Protection Service

A public witness testified that fire protection was of obvious concern to the residents of Stinson Beach. He requested that the issue of fire protection be raised in this proceeding and that applicant file a schedule of improvements to its mains in order to improve the fire fighting capability of the system.

It has been our policy for a number of years that a water utility may be required to supply water for the use of fire fighting departments or agencies only to the extent that water for such purposes is available in the normal course of its operations. There is nothing in this record to cause us to change this long standing policy.

If the fire fighting agencies supplying fire fighting service to Stinson Beach desire additional water service, they may be able to obtain such service for their special needs by negotiations with applicant for such service.

We point out that from a rate standpoint, the special fire fighting service should not become a burden on other and basic water users.

Staff Recommendations

The staff made the following recommendations that:

1. Applicant be required to adjust for depreciation taken on contributed plant in 1969, by crediting earned surplus by \$381.16 and debiting Account No. 265, Contributions in Aid of Construction, by \$381.16.

2. Applicant be required to file an up-to-date map showing the location of all plant facilities included in the 1970 rate base.

Findings and Conclusion

The Commission finds that:

1. Applicant is in need of additional revenues and the proposed rates set forth in the application will produce reasonable revenue.

2. The staff estimates, previously discussed herein, of operating revenues, operating expense and rate base for the test year 1970, reasonably indicate the results of applicant's operations in the near future.

3. A rate of return of 6.67 percent on the adopted rate base for the year 1970 is reasonable.

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. The recommendations of the staff as herein set forth are reasonable.

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

O R D E R

IT IS ORDERED that:

1. After the effective date of this order Stinson Beach Water Company is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to withdraw and cancel presently effective Schedules Nos. 1-A and 2-RA. 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, within ninety days after the effective date of this order, adjust earned surplus by a credit entry of \$381.16 and Account No. 265, Contributions in Aid of Construction, by a debit entry of \$381.16 to correct for depreciation taken on contributed plant in 1969.

3. Applicant shall, within ninety days after the effective date of this order, file an up-to-date map showing the location of all plant facilities included in the 1970 rate base.

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

Dated at San Francisco, California, this 15th day of JUNE, 1971.

[Signature]
Chairman
William Squares Jr.
[Signature]
Yvonne L. Sturgeon
[Signature]
Commissioners

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Stinson Beach, and vicinity, Marin County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:		
First	500 cu.ft. or less	\$ 6.00 (I)
Next	1,000 cu.ft., per 100 cu.ft.60
Next	1,000 cu.ft., per 100 cu.ft.45 (I)
Over	2,500 cu.ft., per 100 cu.ft.30
		<u>Per Meter</u> <u>Per Year</u>
Annual Minimum Charge:		
For	5/8 x 3/4-inch meter	\$ 72.00 (I)
For	3/4-inch meter	93.00
For	1-inch meter	138.00
For	1 1/2-inch meter	210.00
For	2-inch meter	288.00
For	3-inch meter	432.00
For	4-inch meter	648.00 (I)

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.

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.

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Stinson Beach, and vicinity, Marin County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>	
For a single-family residential unit, including premises	\$81.00	(I)
For each additional single-family residential unit on the same premises and served from the same service connection	\$36.00	(I)

SPECIAL CONDITIONS

1. For service covered by the above classifications, if the utility elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General 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.

2. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

(Continued)

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (Contd.)

3. 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.