

Decision No. 80902

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ARTHUR J. DUERRSTEIN AND OTHERS

Complainant,

vs.

ARDEN WATER COMPANY

Defendant.

Case No. 9410

(Filed July 27, 1972)

Arthur J. Duerrstein, for  
himself, and for group of  
Arden Water Co. Consumers,  
complainant.

William R. Seugling, for defend-  
ant.

Andrew Tokmakoff, for the Commis-  
sion staff.

O P I N I O N

A public hearing on the complaint was held before Examiner Rogers at Lake Isabella on November 10, 1972, and the matter was submitted. The defendant has approximately 650 customers. Its service area is a resort area, with both permanent residents and weekenders or vacation users. Approximately 210 of the customers signed the complaint herein considered. From the stated addresses, it appears that only 21 of the petition signers are not permanent residents of Wofford Heights.

Omitting the caption and the signatures, the complaint reads in full as follows:

"The complaint of Arthur J. Duerrstein, P.O. Box 55, Wofford Heights, California, 93285 -- Phone (714) 376-2861 and others respectfully shows:

"1. That defendant is Public Utilities Commission, State of California.

"2. Water rate increases by Arden Water Co., as directed by Public Utilities Commission and effective May 1, 1972 were (a) grossly inequitable, (b) put into effect without proper notice to all consumers, and although the average may fall within the President's wage and price guideline, many appear to exceed same. (Increases range as high as 49.3%)

"3. Proposed rate increases as published by Arden Water Co. in late January of 1972 showed a very fair and uniform percentage increase. (21.5% to 22.5% for those using 400 to 2500 cu.ft./month, and slightly higher for larger quantities).

"4. Rate increases as put in effect by Public Utilities Commission without further notification (with a few exceptions) to the consumers, range from 1.3% for 400 cu. ft. per month to a high of 49.3% for 900 cu. ft./month and then diminishing to 36.9% for 2500 cu. ft. and scaled downward from there on.

"5. The Public Utilities Commission did indeed put the new rates in effect without notifying all consumers of the revised increases; thereby denying them the right to petition for relief from such inequitable increases.

"6. Wherefore complainants request relief by (a) putting in effect rates as published by Arden Water Co. in January of 1972 (except corrected to approximately 18% instead of approximately 22%, to reflect the average increase put in effect May 1, 1972 -- this 18% figure obtained from Carole Kretzer of the Public Utilities Commission and Bill Seugling of Arden Water Co.) or (b) notifying all consumers of the (1) old, (2) originally proposed and (3) final rates and opening a period of time for submission of objections and suggestions."

"A. J. DUERRSTEIN AND OTHERS vs. P.U.C. -- STATE OF CALIFORNIA  
Dated at Wofford Heights, California, this 18th day of July, 1972."

On March 24, 1970, the Commission established rates for the defendant as follows:

RATES

Per Meter  
Per Month

Quantity Rates:

First	900 cu. ft., or less .....	\$ 3.95
Next	3,100 cu. ft., per 100 cu. ft. ....	.30
Over	4,000 cu. ft., per 100 cu. ft. ....	.16

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 3.95
For	3/4-inch meter .....	5.50
For	1-inch meter .....	8.00
For	1 1/2-inch meter .....	12.00
For	2-inch meter .....	18.00

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

Thereafter, the defendant requested a rate increase to offset certain increased expenses. Without a hearing the Commission authorized increased rates as follows, effective May 1, 1972:

RATES

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	400 cu. ft., or less .....	\$ 4.00
Next	3,100 cu. ft., per 100 cu. ft. ....	0.38
Over	3,500 cu. ft., per 100 cu. ft. ....	0.24
Minimum Charge:		
For	5/8 x 3/4-inch meter .....	\$ 4.00
For	3/4-inch meter .....	6.60
For	1-inch meter .....	10.25
For	1½-inch meter .....	18.50
For	2-inch meter .....	25.00

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

After the latter rates were placed in effect, the herein considered complaint was filed.

The Commission staff investigated the complaint and made a report filed herein as Exhibit No. 1. It reads as follows, except for references to appendices, which are omitted:

"Complaint

1. Case No. 9410, filed July 27, 1972, is a complaint by Arthur J. Duerrstein and other customers of the Arden Water Company, Wofford Heights, California, against the utility, but

in effect a request for reconsideration by this Commission of the rates authorized in Resolution No. W-1365 and in effect on May 1, 1972. Complainants allege that rates are grossly inequitable and object to the rate spread and spread of increase for varying monthly consumptions. Also the complaint charges that the Commission did not notify all customers of a revision of rate structure from the one prepared in the notice mailed by the Arden Water Company to all customers on January 27, 1972.

"Service Area

2. Respondent provides metered rate water service to about 650 customers in the town of Wofford Heights and vicinity adjacent to Lake Isabella in Kern County. Respondent has 7 wells, 9 storage tanks and 4 pressure tanks and provides service through 11 different pressure zones.

"History of Rate Increase

3. The Commission received three letters from the Arden Water Company requesting a rate increase and providing information dated August 28, 1971, November 8, 1971, and December 1, 1971. Based upon recommendations resulting from studies by the staff, the water company on January 27, 1972, mailed notices to all customers which compared rates then in effect with proposed increased rates. The notice indicated an increase of 22% which applies to most customers. Overall the increase is 23%. Correspondence to the Commission, because of the notice, consisted of 18 letters and two petitions of 31 and 50 names, respectively, all protesting the rate increase. In general, the complaints came from weekend users and others using small amounts of water monthly who thought the minimum proposed monthly charge of \$4.80 excessive. After considering these and other developments, the staff recommended that a revised rate schedule be adopted, to

develop the same gross revenue as the notice rates. The new schedule reduced the minimum charge to \$4.00 and changed the minimum block from 900 to 400 cubic feet per month. Advice Letter No. 16 dated March 25, 1972, was then filed. The Commission adopted its staff's recommendations and by Resolution No. W-1365, dated April 18, 1972, authorized the new rates to be effective May 1, 1972. An explanatory letter dated April 18, 1972 was mailed to the customers who wrote to the Commission regarding the rate increase.

"Summary of Earnings

4. Gross revenues of \$48,340 were requested by the utility. Rates producing the requested gross revenues were adopted by the Commission in Resolution No. W-1365. These authorized rates show a rate of return of 6.7%.

"Design of Authorized Rates

5. Consideration was given by the staff to the customer response received and to the low usage of water by assigning a low minimum charge of \$4.00 concurrent with reduction of first block. A water use table for 1970 shows that during winter months an average of 27% of the customer billings indicate no water use at all. This percentage drops to 7% in the summer months. For the entire year approximately 17% of monthly water bills indicate no water use.

"6. The best type of rates for an area with this type of water consumption would be a service charge type of rate consisting of a readiness-to-serve charge, with no "free" water, plus a quantity charge for all water used. This would differentiate between customers using say 100 cubic feet per month and those using 900 cubic feet per month. The minimum monthly amount of 900 cubic feet is unusual for present day communities with large gardens and plentiful water. Most regulated utilities have a much smaller allowance, say 400 to 600 cubic feet per month.

for water included in the minimum charge. Although it is the most equitable, the type of rate schedule providing for no water in the "minimum" charge was not recommended by the staff because the radical departure from the existing rate schedule appears to place a greater burden on most of the permanent resident water users.

"7. To make all rates more equitable and because of the low minimum charge, the staff reduced the minimum block from 900 cubic feet to 400 cubic feet. This will reduce the number of customers who are charged for only minimum usage. The water use table for the year 1970 indicates that 50% of the bills were for more than 400 cubic feet while only 28% of the bills were for more than 900 cubic feet.

"Alternate Rates

8. The staff believes that the rates authorized are fair and realistic for this utility. However, the percentage increases from superseded to authorized rates are variable, and the staff is advancing an alternate rate design which partially alleviates this problem but still has a fairly high water allowance included in the minimum charge. The gross revenue derived is the same as at the notice rates.

"9. Complainants want a more even percentage distribution of rate increases for the different monthly consumptions of water. The alternate design proposes a minimum block of 700 cubic feet and a minimum charge of \$4.50 and is a compromise between the rates proposed in the company letter and the authorized rates."

The defendant's president stated that he had no preference relative to the rates as long as the gross revenues remained the same as granted by the last rate increase.

The staff's evidence (Exhibit No. 1) shows that under the presently authorized rates, for a 4 ccf consumption the increase from the prior authorized rates is 1.3 percent, for 7 ccf the increase is 30.1 percent, for 9 ccf the increase is 49.4 percent, for 25 ccf the increase is 36.9 percent, and for 40 ccf the increase is 28.2 percent (Appendix E, Exhibit No. 1). These unequal variations in the apportionment of the increases are the cause of the complaint. The company had proposed rates giving the same gross revenues as the authorized rates and which would have had a uniform percentage increase for each rate block. The percent increases at the consumptions referred to above would have been, respectively, 21.5 percent, 21.5 percent, 21.5 percent, 22.5 percent, and 22.8 percent (Appendix E of Exhibit No. 1). The company's proposed rates would appear to be almost the ideal way to spread the rate increase. However, this is not the ordinary or usual community where the water users are permanent. Many of the users are weekenders, or even more casual consumers (Appendix C to Exhibit No. 1). This being so, the permanent residents, who use the facilities much more than the weekenders, should bear more of the expenses. We think that the staff's proposed alternate rates hereinafter authorized in lieu of the existing rates are more equitable. The percentage of increases for the hereinbefore referred to consumptions are 13.9 percent for 4 ccf, 13.9 percent for 7 ccf, 31.6 percent for 9 ccf, 23.4 percent for 25 ccf, and 20.2 percent for 40 ccf.



Findings and Conclusion

On the record herein, we find that:

1. The gross revenue increase authorized for Arden Water Company by the Commission's Resolution No. W-1365, dated April 18, 1972, was, and is, reasonable and should be continued in effect, but the rate spread formulated by the staff and placed in effect is inequitable.

2. The rates and rate spread filed herein as Appendix A are reasonable and equitable and will give the water company gross revenues of \$48,340 per annum and a rate of return of 6.7 percent.

3. The changed rates herein authorized will not result in increased revenues over those resulting from the existing rates, but will result only in a more equitable distribution of the charges.

4. The increases in rates and charges herein authorized are reasonable, and the existing rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

5. Pursuant to subparagraph (A) of Rule 23.1 of the Commission's Rules of Procedure the rate increases are exempt from the requirements of that rule, respondent being a utility which qualifies for the small business exemption set forth in Title 6, Economic Stabilization, Section 101.51 subparagraph (E).

We conclude that the rates set forth herein should be placed in effect in lieu of those presently in effect.


O R D E R

IT IS ORDERED that:

Not more than ten days after the effective date of this order, defendant, Arden Water Company, shall 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 3<sup>rd</sup> day  
of JANUARY, 1973.

  
\_\_\_\_\_  
President

  
  
\_\_\_\_\_  
Commissioners

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

APPENDIX A

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Wofford Heights and vicinity, located approximately two miles south of Kernville, Kern County.

RATES

		Per Meter Per Month	
Quantity Rates:			
First	700 cu.ft. or less .....	\$ 4.50	(C)
Next	3,100 cu.ft., per 100 cu.ft. ....	0.35	(C)
Over	3,800 cu.ft., per 100 cu.ft. ....	0.29	(I)
Minimum Charge:			
For	5/8 x 3/4-inch meter .....	\$ 4.50	(I)
For	3/4-inch meter .....	6.60	
For	1-inch meter .....	10.25	
For	1 1/2-inch meter .....	18.50	
For	2-inch meter .....	25.00	

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