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Decision No. 81238

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Lakeland Property Owners
Association,

Complainant,

vs.

Lakeland Water Company, a
corporation,

Defendant.

Case No. 9442

(Filed September 25, 1972)

James W. Ash and Mrs. Emmett E.
Erickson, for complainant.
B. J. Meek, for defendant.
Robert C. Durkin, for the Com-
mission's staff.

O P I N I O N

A public hearing on the complaint was held before Examiner Rogers in Lake Isabella on January 5, 1973 and the matter was submitted.

The complaint is brief and, omitting the caption and verification, reads:

"The complaint of Lakeland Property Owners Association, James W. Ash Chairman, and Gladys M. Erickson, Secretary-Treasurer, of Box 1092, Lake Isabella, California, 93240; representing customers of Lakeland Water Company, shows:

"1. That defendant is Lakeland Water Company, a California Corporation, of P.O. Box 58, Lake Isabella, California, 93240, and the principal officer is Leonard B. Higham of the same address.

"2. That on or about the first week of July 1972 defendant had a failure of water service to its cutomers (sic).

"3. Complainants assert to the best of their knowledge the defendant replaced a damaged pump so that service could be restored, and that said replacement was a substantial cost to defendant.

"4. Complainants have examined the annual report of defendant to your Honorable Commission and find that for the year 1971 defendant reported a loss from operations of \$708 and an accrued loss for all operations to date of \$8,917.

"5. Defendant verbally advised complainants that additional revenues would be required to meet the cost of repairs and replacement of utility equipment, and to created (sic) additional revenues defendant would install meters and charge a variable meter rate.

"6. Defendant has commenced such a metering program and has depleted cash funds which should be held ready to meet emergencies and to keep the system operating.

"7. Complainants have discussed other solutions to the problem and believe that it would be in the interest of both defendant and complainants to perhaps increase the flat rate charge to \$6.50 per month for residential water service. A majority of customers were contacted at a meeting of the Association held in Isabella on August 27, 1972.

"8. Complainants request an audit of defendant's records by your Honorable Commission to justify such increase in rates. WHEREFORE, complainants request an order requiring defendant to increase its rates for residential flat rate water service to \$6.50 OR ANY LESSER REASONABLE RATE DETERMINED BY THE COMMISSION, and to restrict defendant from installing meters for

flat rate residential service for a period of seven years unless there is a clear cut showing of consistent water waste, as documented and cleared by the Lakeland Property Owners Association."

The defendant filed an answer, the material part of which reads:

"1. Lakeland Water Co. is a Public Utility.

"2. Lakeland Water Co. has suffered losses from its operations for several years.

"3. Lakeland Water Co. needs additional revenue to meet its financial obligations.

"4. Lakeland Water Co. is willing to charge a flat rate of \$6.50 per month.

"5. Lakeland Water Co. will install meters whenever there is clear indication of water wastage."

The chairman of the complainant testified that the water users want flat rate service except in cases where there is obvious waste of water and they are willing to pay increased flat rates of \$6.50 per month to keep the defendant operating.

The chairman stated that there are four meters in place; that these meters were placed as the result of an attempt to meter all users and should be removed; and that in the future only parties constantly wasting water should be metered.

A staff hydraulic engineer prepared a study (Exhibit No. 1). The exhibit shows that by Decision No. 64243, dated September 11, 1962 in Application No. 43309 the following rates were authorized:

Flat Rate

Per Service Connection
Per Year

For a single-family residential
unit, including premises

\$48.00

Meter Rate

Monthly Quantity Rate:

Per Meter
Per Month

First 700 cu.ft. or less
Next 3,300 cu.ft., per 100 cu.ft.
Over 4,000 cu.ft., per 100 cu.ft.

\$4.00
.30
.18

Annual Minimum Charge:

Per Meter
Per Year

For 5/8 x 3/4-inch meter
For 3/4-inch meter
For 1-inch meter
For 1 1/2-inch meter
For 2-inch meter

\$ 48.00
60.00
84.00
132.00
204.00

The witness stated that there were no meters in the area prior to August 1972 and all customers were billed at \$5.00 per month although the rates were \$4.00 per month. The complainants request a \$6.50 per month flat rate with mandatory metering where there is a waste of water.

The staff engineer said that there is an average of 112 customers at present. He compared annual revenues for these customers at the authorized flat rate of \$48 per year each (total \$5,367 per year); at the rate of \$60 per year each, now charged by defendant (total \$6,720 per year); at the complainant's proposed rate of \$78 per year each (total \$8,736 per year); and all metered service, as calculated by him, for a total of \$13,440 per year.

The engineer estimated that with all flat rate service in 1973 the operating expenses will total \$4,200, and with all metered service the operating expenses will total \$5,900. In making these estimates, the engineer considered the following:

- a. An increase in electric power for pumping based on three rate increases granted to Edison during 1972 and average use by 112 customers, with an increase in size of an electric motor.
- b. Operation maintenance, labor, and materials estimated, based on the recorded amounts for the distribution system repairs for 1971 and 1972. Replacement of a pump in 1972 was treated as plant retirement and plant addition of the new larger pumping unit.
- c. Billing and collection performed by the Bank of America at flat rate and at metered rates.
- d. A \$1,200 annual travel expense allowance was deleted and an allowance of \$300 for management salaries was added.
- e. Total expense payroll estimated for 1973 as \$1.50 per customer per month, flat rate; and \$2.45 per customer per month, metered.

The staff engineer checked the defendant's records and found certain erroneous matters such as including \$1,800 for meters prior to 1972 when in fact there were none in use. He adjusted the plant value, the related depreciation expense, and the depreciation reserve. His 1973 estimated rate bases with flat rate service and all metered service are as follows:

Item	Year 1973 Estimated	
	Flat Rate Service	All Metered Service
Average Utility Plant	\$51,670	\$62,870
Materials & Supplies Combined		
With Working Cash	500	600
	\$52,170	\$63,470
Less:		
Average Depreciation Reserve	11,400	11,600
Advances for Construction	33,190	33,190
Estimated Average Depreciated Rate Base	\$ 7,580	\$18,600

The engineer's estimated 1973 summaries of earnings at the various alternates considered herein are as follows:

Item	Authorized	3/4-inch	Proposed	All Metered
	Flat Rate	Meter Minimum*	Flat Rate	Service
Operating Revenues	\$5,367	\$6,720	\$8,736	\$13,440
Operating Expenses	4,200	4,200	4,200	5,900
Depreciation	1,550	1,550	1,550	1,880
Taxes Other Than Income	950	950	950	1,100
Income Taxes	100	100	560	1,250
Total Expenses	\$6,800	\$6,800	\$7,260	\$10,130
Net Revenue	\$(1,433)	\$ (80)	\$1,476	\$ 3,310
Rate Base	\$7,580	\$7,580	\$7,580	\$18,600
Rate of Return	-	-	19.5%	17.9%

() Red Figure

*At \$5.00 per month now charged.

The staff engineer testified that the defendant has operated the system at a loss for over five years; that it has been charging an unauthorized rate; and that the rate proposed by the complainant would produce an excessive rate of return of 19.5 percent. He stated that a flat rate of \$6.00 per service connection will produce a return of 7.4 percent on the 1973 estimated nonmetered rate base.

The engineer further testified that the defendant's water pressures are within the limits prescribed by General Order No. 103, and that the defendant has no local telephone number or location for transacting of business. He recommended that defendant be required to make arrangements with a local serviceman. This latter appears to have been done by the hiring of a Mr. Thompson who appeared at the hearing, is a local man, and will be available for service.

Findings and Conclusions

1. Defendant is a public utility water company.
2. Defendant has metered approximately four of 112 service connections. All meters now in place should be removed and all services should be on a flat rate basis, except as specified in Finding 4.
3. Defendant is in need of additional revenues, but the flat rates proposed by the complainants are unreasonable.
4. The staff engineer's estimate of revenues for 1973, with all services on a \$6.00 per month each flat rate basis, will give defendant a rate of return of 7.4 percent on its nonmetered rate base and is reasonable. This result should be adopted for the purpose of this decision. The metered rates should remain in effect to be assessed against customers who waste water.

5. The increases in flat rates and charges herein authorized are justified; the flat rates and charges herein authorized are reasonable; and the present flat rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

6. Pursuant to subparagraph (A) of Rule 23.1 of the Commission's Rules of Procedure, the rate increase is exempt from the requirements of that rule, defendant being a utility which qualifies for the small business exemption set forth in Title 6, Economic Stabilization Act of 1970, Section 130.40, Subparagraph E.

7. Defendant should be required to have a serviceman available at all reasonable hours in the vicinity of the service area and to notify all customers by mail stating where and how the serviceman can be reached.

8. The metered rates on file should remain in effect.

The Commission concludes that the flat rates should be revised, as specified in the order herein, and a serviceman required to be available in conformance with the following order.

O R D E R

IT IS ORDERED that:

1. Within ten days after the effective date of this order, Lakeland Water Company shall file the revised flat rate schedule attached to this order as Appendix A and concurrently shall withdraw and cancel its presently effective flat rate schedule. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be thirty days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

2. Defendant shall, within thirty days after the effective date hereof, remove any meters now in place and connected to services, except as provided in Ordering Paragraph 3.

3. After the effective date hereof, only those customers committing waste shall be metered and after metering defendant's existing metered rates shall be assessed and collected from such customers.

4. Defendant shall have a serviceman available at all reasonable hours. The telephone number and address of the serviceman shall be provided to all customers by mail.

The effective date of this order shall be twenty days after the date of personal service of a copy of this decision on the Lakeland Water Company.

Dated at San Francisco, California, this 10th day of APRIL, 1973.

Vernon L. Sturgeon
President
William J. Lyons
Shirley L. Lyons
Edith L. Lyons
Commissioners

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

APPENDIX A
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Schedule No. 2R

(T)

RESIDENTIAL FLAT RATE SERVICE

(C)

APPLICABILITY

Applicable to all flat rate residential water service.

(C)

TERRITORY

Tracts Nos. 3035, 3036, 3108, and vicinity, located northeast of Isabella, Kern County.

(T)

RATES

	Per Service Connection Per Month	(C)
For a single-family residential unit, including premises not exceeding 7,500 sq. ft. in area	\$6.00	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	4.50	(N)
b. For each 100 sq. ft. of premises in excess of 7,500 sq. ft.70	(N)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 3/4-inch in diameter. (C)

2. All service not covered by the above classifications shall be furnished only on a metered basis under Schedule 1-A. (T)

(Continued)

APPENDIX A
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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS - Continued

3. For a new service or a customer who has not established his permanency as a year-round resident, an annual advance payment may be required which is equal to 12 times the monthly flat rate charge. (N)

4. When a meter is installed and service provided under Schedule 1-A, annual general metered service, such metered service shall be effective as of the first day of the next calendar month. Where the flat rate charge has been paid in advance, refund of the prorated difference between such flat rate payment and the meter minimum charge for the same period shall be made on or before the beginning of metered service. (N)