

Decision No. 81711

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of BOUQUET CANYON WATER }
COMPANY, a California corporation, }
under Section 454 of the Public }
Utilities Code, for authority to }
increase its public utility water }
rates. }

Application No. 53715
(Filed November 29, 1972)

O P I N I O N

Applicant seeks authority to increase its water rates as part of a general plan which will involve the merger of Bouquet Canyon Water Company, and its affiliate, Solemint Water Company, and the possible filing of request for a future increase in rates by the merged companies. Applicant furnishes water in the vicinity of Saugus and Newhall. For the year 1971 it had an average of 3,332 customers composed of 3,065 domestic connections, and 267 public fire hydrant connections.

Applicant's officers, who are also the directors, are:

Benjamin P. Bonelli, President

Mary P. Bonelli, Vice-President

Robert M. Bonelli, Secretary-Treasurer

Applicant's capital stock is wholly owned by the Bonelli family and its wholly owned corporations.

Applicant's present metered rates were authorized by Decision No. 42624 dated March 22, 1949 in Application No. 29980, as amended in and by Decision No. 50506 dated September 3, 1954 in Application No. 35433. Applicant's present and proposed (interim) metered rates are:¹

¹ Flat rates were also authorized but as applicant no longer has flat rate service they will be disregarded. No change is proposed in the rates for fire sprinkler service or fire hydrant service.

<u>Present Rates</u>		<u>Proposed Rates</u>	
<u>Quantity Rates</u>	<u>Per Meter Per Month</u>	<u>Quantity Rates</u>	<u>Per Meter Per Month</u>
1st 1,100 cu.ft.	\$ 2.75	1st 1,000 cu.ft.	\$ 3.50
Next 900 cu.ft. per 100 cu.ft. ....	.20	Next 1,000 cu.ft. per 100 cu.ft. ....	.25
Next 3,000 cu.ft. per 100 cu.ft. ....	.15	Next 2,000 cu.ft. per 100 cu.ft. ....	.20
Over 5,000 cu.ft. per 100 cu.ft. ....	.12	Next 4,000 cu.ft. per 100 cu.ft. ....	.15
		Over 8,000 cu.ft. per 100 cu.ft. ....	.10
<u>Minimum Charges</u>		<u>Minimum Charges</u>	
5/8 x 3/4 inch meter	\$ 2.75	5/8 x 3/4 inch meter	\$ 3.50
1 inch meter	4.50	1 inch meter	4.50
1-1/2 inch meter	7.00	1-1/2 inch meter	8.00
2 inch meter	9.00	2 inch meter	12.00
3 inch meter	15.00	3 inch meter	20.00
4 inch meter	25.00	4 inch meter	30.00
6 inch meter	40.00	6 inch meter	50.00

The minimum charge will entitle the consumer to the quantity of water which the minimum charge will purchase at the quantity rates.

Applicant alleges that it had a net income (before federal income taxes) for the years 1967 through 1970 totaling \$60,375; that it incurred a loss for the year 1971; that the loss experience accelerated in 1972; that major contributing expense items causing the conversion from profit to loss were occasioned by increased transmission and distribution expenses (caused primarily by earthquake-damage repair requirements) and increased Los Angeles County real property taxes.

Applicant alleges that at present rates it will realize for the year 1972 gross revenue from domestic services of approximately \$222,410; that under the proposed rates it will realize from the same domestic sources approximately \$271,382; and that the

proposed rates will produce an additional \$48,972 in gross revenue, an increase of approximately 22 percent.

The following table shows the applicant's estimated results of operation for the year 1972 at present and proposed rates:

<u>Revenues</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues		
Domestic	\$ 222,410 ^b	\$ 271,382 ^a
Fire Protection	4,693	4,693 ^a
Miscellaneous	135	135 ^a
Total Revenue	<u>\$ 227,238</u>	<u>\$ 276,210</u>
<u>Expenses</u>		
Operating Expenses ^a	\$ 159,939	\$ 159,939
Depreciation	40,000	40,000
Taxes (except Income)	43,188	43,188
Total Expenses	<u>\$ 243,127</u>	<u>\$ 243,127</u>
Net Operating Rev.	<u>\$ (15,889)</u>	<u>\$ 33,083</u>
Rate Base ^c	\$ 777,509	\$ 777,509
Rate of Return	Negative	4.25%

a. From Exhibit 7, page 1.

b. From Paragraph IX of application.

c. From Paragraph X of application.

Applicant alleges that it needs interim rate relief immediately and without the necessity of a public hearing for the purpose of enabling it to reduce its refund obligations and to reduce outstanding accounts payable. It alleges that to date, all available revenue has been put to public utility purposes, and that at no time have applicant's stockholder interests received any dividends on their capital stock.

Copies of the application were served and publication was made as required by this Commission. There were no protests.

The Commission staff reviewed and analyzed the application and prepared a report which has been filed as Exhibit I. The report shows that the utility's losses were not the result of a sudden financial emergency at the close of 1972, when the application was filed, but were the result of a continuing attrition of return on investment that should have been apparent to an alert management. The report further states that the principal expense item increase was not in transmission and distribution expenses, as stated in the application, but in expense items such as regulatory commission expenses, owner's salaries, and rental payment to affiliates. The staff accountant recommends that applicant be granted the requested rates as applicant's earnings under present rates are so inadequate and would be lower than a normal rate of return at the requested rates.

Findings

1. Applicant is in need of increased revenues.
2. When the authorized rates are placed in effect applicant will still have less than a reasonable rate of return.
3. The rates authorized herein are needed by applicant to offset increased costs of operation and to keep applicant's earnings within the zone of reasonableness.
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. A public hearing is not necessary.
6. Applicant's increased rates should be placed in effect immediately.
7. The authorized increase is consistent with Rule 23.1 of the Commission's Rules of Procedure:
 - a. The increase is cost-justified and does not reflect future inflationary expectations;

- b. The increase is the minimum required to assure continued, adequate, and safe service, and to provide for necessary expansion to meet future requirements;
- c. The increase will not achieve in excess of the minimum rate of return needed to attract capital at reasonable cost and not to impair the credit of applicant; and
- d. The increase takes into account expected and obtainable productivity gains.

Conclusion

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order Bouquet Canyon Water Company is authorized to 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 not earlier than August 13, 1973. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. This order is granted under the condition that applicant will file an application merging Bouquet Canyon Water Company and Solemint Water Company within six months from the date of this order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 14th day
of AUGUST, 1973.

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

Vernon L. Sturgeon
President
J. P. W. Harris Jr.
[Signature]

Commissioners

APPENDIX A

Schedule No. 2

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

(T)

TERRITORY

Bouquet Canyon and vicinity, near Saugus, Los Angeles County.

(T)

RATESPer Meter
Per Month

Quantity Rates:

First 1,000 cu.ft. or less	\$ 3.50	(I)
Next 1,000 cu.ft., per 100 cu.ft. ....	.25	⋮
Next 2,000 cu.ft., per 100 cu.ft. ....	.20	⋮
Next 4,000 cu.ft., per 100 cu.ft. ....	.15	(I)
Over 8,000 cu.ft., per 100 cu.ft. ....	.10	(D)

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.50	(I)
For 1-inch meter	4.50	⋮
For 1 1/2-inch meter	8.00	(I)
For 2-inch meter	12.00	⋮
For 3-inch meter	20.00	⋮
For 4-inch meter	30.00	⋮
For 6-inch meter	50.00	(I)

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