

ORIGINAL

Decision No. 82640

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of SANTA CLARITA WATER COMPANY,  
for authority (a) to increase its  
rates and charges for water serv-  
ice in Bouquet Canyon and vicinity  
near Saugus in the northeastern  
portion of Los Angeles County; and  
(b) to issue one million dollars  
(\$1,000,000) in First Mortgage  
Bonds.

Application No. 54428  
(Filed November 5, 1973;  
amended February 21, 1974.)

INTERIM OPINION

By Decision No. 81711 dated August 14, 1973 in Application No. 53715, the Commission authorized Bouquet Canyon Water Company to increase its rates to the same level as those charged by Solemint Water Company. The granting of the rate relief was conditioned upon the merger of Bouquet and Solemint. Santa Clarita Water Company is the successor by merger to Bouquet and Solemint.

The rates which applicant Santa Clarita Water Company is presently charging for metered water service were authorized by the Commission for Solemint by Decision No. 57053 issued July 29, 1958 in Application No. 38423. These rates have never been increased despite relentless increases in property taxes, wages, power costs, and costs of equipment and supplies since 1959. Applicant in its application estimated (1) that in 1973 under present rates it would sustain an operating loss of approximately \$55,000, and (2) with interest expense included that its total out of pocket loss in 1973 would exceed \$100,000. Without immediate and substantial rate relief, applicant estimates that losses in 1974 will substantially exceed \$100,000. Applicant's studies reveal that during the period 1968 through 1972, its overall expenses (exclusive of depreciation and taxes) have increased by 66.4 percent.

Applicant in its application alleges that any substantial delay in the granting of rate relief will seriously impair applicant's ability to provide reliable water service to the public and requests that the Commission issue an ex parte order authorizing applicant to impose a surcharge of \$1 per month on each of its general metered customers pending hearing on this application and the issuance of the final decision.

By amendment to the application filed February 21, 1974, applicant has amended its request to provide that the \$1 per month surcharge should be made applicable to all customers, both metered and flat rate, instead of general metered customers only. According to the information set forth in the amendment there were 7,993 general metered customers and 1,552 flat rate customers, or a total of 9,545 customers, as of December 31, 1973. Therefore, the \$1 per month per customer surcharge requested as an interim rate increase will provide approximately \$9,545 per month or \$114,540 per year additional revenue to the applicant.

In the amendment applicant also states that in September 1972, Solemint Water Company borrowed \$250,000 from the Bank of America. Of this sum, \$168,729 was spent on water system improvements to eliminate customer complaints and the remaining \$81,271 was used to pay past due refunds on main extension contracts to avoid lawsuits. The total arrearages on such contracts amount to \$177,983. In addition, as of December 31, 1973, applicant had accrued 1973 refund obligations of approximately \$110,500 which will become due April 1, 1974. The \$250,000 Bank of America loan is being amortized at the rate of approximately \$5,200 per month with the first payment due on January 28, 1974. A preliminary statement of net loss attached to the amendment shows for the year ended December 31, 1972, revenues of \$737,000, expenses of \$745,000, and a net loss of \$8,000; and for the year ended December 31, 1973, revenues of \$738,000, expenses of \$780,000, and a net loss of \$42,000.

The report of results of operations of applicant attached to the application shows a recorded average rate base of \$2,030,400 for the year 1972 and estimated average rate bases of \$2,139,600 for the year 1973 and \$2,344,700 for the year 1974.

Findings

1. An interim rate increase of \$114,540 per year is necessary to enable applicant to meet its current financial obligations and to prevent applicant's ability to provide reliable water service to the public from being seriously impaired.
2. The total amount of the increase in annual revenue authorized by this decision is \$114,540; the rate of return on a rate base not less than \$2,100,000 is not in excess of 5.5 percent.
3. The increases in 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. A public hearing is not necessary.

Conclusion

The Commission concludes that applicant should be authorized to impose a surcharge of \$1 per month on each general metered service customer and on each flat rate customer.

INTERIM ORDER

IT IS ORDERED that after the effective date of this order Santa Clarita Water Company is authorized to file tariff schedules to provide for a surcharge of \$1 per month on each general metered service customer and on each flat rate customer. Such filings shall comply with General Order No. 96-A. The effective date of each

revised schedule shall be five days after the date of filing. Each revised schedule shall apply only to service rendered on and after the effective date of the revised schedule.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 26<sup>th</sup>  
day of MARCH, 1974.

William L. Spence  
President  
William Spence Jr.

[Signature]  
[Signature]  
Commissioners

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