

ORIGINAL

Decision No. 83386

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of

BASS LAKE WATER COMPANY,  
a California Corporation

for Authorization to Increase Its  
Rates Charged for Water Service.

Application No. 54558  
(Filed January 4, 1974)

Albert A. Webb Associates, by  
R. H. Knaggs, for applicant.  
George H. Badstubner and H. Ray  
Sorenson, for Pines Civic  
Council; Robert E. Hardy,  
Attorney at Law, Harry Schmall,  
Harold K. Fox, W. L. McCoy, and  
Lenore O. Creech, for themselves;  
and Margaret G. Rogers, President,  
for The Falls Tract; protestants.  
John E. Brown and John Bilci, for  
the Commission staff.

O P I N I O N

Bass Lake Water Company (Bass Lake), which provides water service to approximately 558 customers in an unincorporated area of Madera County adjacent to the north end of Bass Lake, seeks authority to increase its water rates approximately \$13,640 (46.3 percent). It also seeks authority to provide some metered service. Williams Resorts, Inc. (Williams), which owns all of applicant's common stock, leases the major portion of the land in the service area from Pacific Gas and Electric Company and, in turn, leases the individual residential and business sites to homeowners and business establishments. Williams also operates certain resort and business enterprises in the area and is thus a customer of its subsidiary water utility.

After due notice, a public hearing on the application was held before Examiner Rogers on June 27, 1974 in Bass Lake.

Evidence on behalf of applicant was presented by an official of Williams, the applicant's resident manager, and a consulting engineer. Several water users appeared in opposition to the granting of the application until certain improvements in the system were made. The Commission presentation was made by members of the Commission's Finance and Accounts Division and the Hydraulic Branch of the Utilities Division.

Rates

The presently effective annual flat rates were authorized by Decision No. 76679, dated January 20, 1970, and Decision No. 78528, dated April 13, 1971, both in Application No. 51201. Applicant proposes to increase the flat rates and to provide metered service in some instances. The following tabulation compares the applicant's present and proposed flat rates, and the proposed metered rates:

	Per Service Connection Per Year	
	<u>Present</u>	<u>Proposed</u>
For single-family residential unit including premises:		
3/4-inch service	\$ 51.00	\$72.00
1-inch service	70.00	96.00
For each additional single-family residential unit on the same premises and served from the same service connection	15.00	28.00
For business establishments:		
3/4-inch service	51.00	*
1-inch service	70.00	
1½-inch service	110.00	
2-inch service	148.00	

\*Applicant proposes to discontinue business flat rate service.

The proposed flat rate schedule also contains a provision that meters may be installed at the option of the utility.

The applicant's proposed meter rates are:

	<u>Per Meter Per Year</u>
Annual Service Charge:	
For 5/8 x 3/4-inch meter .....	\$ 60.00
For 3/4-inch meter .....	75.00
For 1-inch meter .....	100.00
For 1½-inch meter .....	140.00
For 2-inch meter .....	180.00
Quantity Rate:	
Per 100 cu. ft. ....	\$ 0.25

The applicant's proposed rates are excessive as herein-after explained and the herein adopted rates will be authorized.

#### Results of Operations

The following tabulation compares the estimated summary of earnings for the test year 1973 as adjusted by the staff and estimated by the applicant.

#### Summary of Earnings

Item	Year 1973			
	Present Rates		Proposed Rates	
	Applicant:	Staff	Applicant:	Staff
	Est.	Adj.	Est.	Adj.
<u>Operating Revenues</u>				
Flat Rate Sales	\$ 29,660	\$ 29,494	\$ 39,610	\$ 39,600
Metered Sales	-	-	3,490	4,500
Special Contract	340	391	500	-
Total Oper. Revenues	\$ 30,000	\$ 29,885	\$ 43,600	\$ 44,100
<u>Deductions</u>				
Operating Expenses	\$ 21,700	\$ 19,800	\$ 22,000	\$ 20,100
Depreciation	6,100	5,090	6,170	5,150
Taxes Other Than Income	1,680	1,730	1,750	1,775
Income Taxes	270	450	3,940	4,455
Total Deductions	\$ 29,750	\$ 27,070	\$ 33,860	\$ 31,480
Net Revenues	\$ 250	\$ 2,815	\$ 9,740	\$ 12,620
Rate Base	\$109,970	\$109,740	\$112,680	\$112,395
Rate of Return	0.2%	2.6%	8.6%	11.2%

Operating Revenues

The following tabulation shows operating revenues for the test year 1973 as estimated by the applicant and adjusted by the staff.

Operating Revenues

Item	Year 1973			
	Present Rates		Proposed Rates	
	Applicant:	Staff:	Applicant:	Staff:
	Est.	Adj.	Est.	Adj.
Metered	\$ -	\$ -	\$ 3,490	\$ 4,500
Flat Rate	29,660	29,494	39,610	39,600
Special Contract*	340	391	500	-
Total Revenues	\$30,000	\$29,885	\$43,600	\$44,100

\*Metered per staff.

The difference in total revenues at proposed rates is due to differences in consumption estimates for metered customers. Both the applicant and the staff used the same number of customers.

At the proposed rates, the staff included revenue from the National Forest Service with metered revenues because there will be no need for their special contract if metered rates are approved.

The staff conceded that the applicant's estimates of revenues for 1973 were reasonably correct. Nevertheless it added \$500 in total revenues for 1973. We will add the special contract revenues of \$500 (Forestry Service) to the metered revenues, as estimated by the applicant, and use the estimates of revenues for 1973, \$30,000 at present rates and \$43,600 at proposed rates. We find these estimates are reasonable and should be used for the purposes of this decision.

Operating Expenses

The following tabulation is a summary of the estimates of expenses for the test year 1973 at present and proposed rates.

Operating & Maintenance Expenses

Item	Year 1973			
	Present Rates		Proposed Rates	
	Applicant	Staff	Applicant	Staff
	Est.	Adj.	Est.	Adj.
Misc. Source of Supply	\$ 300	\$ 120	\$ 300	\$ 120
Power	600	600	600	600
O&M, Employee Labor	6,000	6,600	6,300	6,900
O&M, Materials	1,500	1,500	1,500	1,500
O&M, Contract Work	800	800	800	800
Office Salaries	1,800	-	1,800	-
Management Salaries	3,600	3,000	3,600	3,000
Office Supplies & Exp.	1,800	1,800	1,800	1,800
Insurance	500	380	500	380
Accounting, Legal & Other Services	2,200	2,100	2,200	2,100
General	1,000	1,300	1,000	1,300
Vehicle	1,600	1,600	1,600	1,600
Total O&M Expenses	\$21,700	\$19,800	\$22,000	\$20,100

The staff's adjusted miscellaneous source of supply expense is the annual fee charged by the National Forest Service for the permit allowing water supply facilities to be situated within the national forest. The staff's allowance is the actual cost. It will be used.

For employee labor expense, the staff included an allowance for temporary employment to cope with emergencies in accordance with the utility's past experience. We find the staff's estimate is reasonable and it will be used.

An agreement between Bass Lake and Williams stipulates that Williams will provide office space, office supplies, and clerical assistance for a fixed fee of \$150 per month. Recorded amounts are normally charged to the office supplies and expense account. However, for the test year estimate for these services, the applicant included \$1,800 each in two accounts, Office Salaries and Office Supplies and Expense. We find the duplicate salary should be eliminated.

The staff's adjustment for management salaries is likewise in accordance with an agreement between applicant and Williams whereby Williams provides managerial services for a fixed fee of \$3,000 per year. We find this allowance is reasonable and will be used herein.

The staff's adjusted value for insurance expense is the average recorded for the last four years. It will be used herein.

The staff's adjusted expense for accounting, legal, and other services is the average adjusted for the last four years plus one-tenth of the cost for an engineering report<sup>1/</sup> required by this Commission's Decision No. 76679. The staff spread the cost over a ten-year period because it is a comprehensive planning study which includes long-range recommendations. Two adjustments to the account were made before averaging; the ten-year spread of a \$5,000 recorded expense in 1970 for a report and the transfer to general expenses of a \$1,032 recorded expense in 1973 for rate case charges. We find the staff's estimate is reasonable and it will be used herein.

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<sup>1/</sup> Engineering Report on Water System Improvements for the Bass Lake Water Company, Madera County, California, May 1970, by Boyle Engineering, Bakersfield, California.

The staff's adjusted general expense is the sum of the applicant's estimate for rate case expense, spread over three years, plus the average recorded expense for the last four years. This estimate is reasonable and it will be used herein.

We find the applicant's operating and maintenance expenses for 1973 to be \$19,800 at present rates and \$20,100 at proposed rates.

Taxes, Other Than Income

Taxes, other than income, estimated for the test year 1973, are summarized in the following tabulation.

Taxes, Other Than Income

Item	Year 1973			
	Present Rates		Proposed Rates	
	Applicant	Staff	Applicant	Staff
	Est.	Adj.	Est.	Adj.
Ad Valorem Taxes	\$1,180	\$1,180	\$1,225	\$1,225
Payroll Taxes	500	550	525	550
Other Taxes	-	-	-	-
Total	\$1,680	\$1,730	\$1,750	\$1,775

The ad valorem taxes at proposed rates reflect the cost of meters required by the proposed meter rate schedule. The staff's adjusted expense for payroll taxes is a direct consequence of the adjusted expense for employee labor. We find the staff's estimates of non-income taxes are correct. They will be used herein.

We find the income taxes, state and federal, will be \$213 at present rates and \$4,014 at proposed rates.

The following tabulation shows water plant in service as estimated by the applicant and adjusted by the staff for the test year 1973.

Water Plant in Service

Item	Year 1973			
	Present Rates		Proposed Rates	
	Applicant	Staff	Applicant	Staff
	Est.	Adj.	Est.	Adj.
Beginning-of-Year	\$ -	\$189,106	\$ -	\$191,791
Additions	-	49	-	49
Retirements	-	-	-	-
End of Year	\$189,950	\$189,155	\$192,640	\$191,840
Average	\$189,950	\$189,130	\$192,640	\$191,815

For rate-making purposes, both applicant and staff considered the new filter plant which was completed in 1972 at a cost of \$28,477 to be in service for the entire 1973 test year. The initial cost for meters required at proposed rates was also included at the beginning of the year. The difference between applicant's estimated and staff's adjusted average utility plant is primarily due to a \$941 accounting adjustment. In 1972 the applicant recorded \$941 as a non-depreciable plant addition to the land account. This amount represents the cost incurred in surveying land for the purpose of obtaining an easement from the U.S. Forestry Service. This easement was for the right to maintain and operate a pipeline and to transport water on forestry land. As of December 31, 1973, the easement had not been obtained. The staff urged that this item be excluded from the utility plant and classified as a deferred charge until an easement has been obtained. We agree and this item will be so treated.



By Decision No. 76679 the applicant was ordered to adopt a depreciation reserve of \$60,984 as of December 31, 1968. The applicant was also ordered to determine future depreciation accruals at a rate of 2.7 percent of the original cost of depreciable plant for a period of five years or until there was a major change in depreciable plant.

The applicant submitted a depreciation study as a part of this application due to major plant additions (Table I, Exhibit 1). Excepting minor adjustments, the staff found the applicant's total depreciation reserve and the depreciation reserves by accounts as of December 31, 1972 to be correct; however, for the purpose of this report the staff's estimates of average service life differed from those of the applicant for several accounts. The staff's estimate for depreciation accrual was 2.7 percent of gross plant while the applicant's estimate was 3.2 percent. A summary of the staff's study is given in Table III-A in Exhibit 2.

We have reviewed the record herein and we are satisfied that the applicant's estimates of lives and accruals are correct. Consequently, we find that applicant's depreciation reserves, depreciation expense, and net utility plant are correct, with the exception of the \$941 accounting adjustment. For the purposes of this discussion, we find depreciation expense for the test year will be \$6,100 at present rates and \$6,170 at proposed rates.

The applicant and the staff agreed that the sum of \$500 is a reasonable sum to allow for materials and supplies.

We find that applicant's rate base for the test year will be \$109,000 at the present rates and \$111,740 at the proposed rates.

Summary of Earnings

The following tabulation sets forth the results of operation for the test year 1973 at present and proposed rates using the figures herein adopted.

Summary of Earnings

Item	Year 1973	
	Present Rates	Proposed Rates
Operating Revenues	\$ 30,000	\$ 43,600
<u>Deductions</u>		
Operating Expenses	19,800	20,100
Depreciation Expense	6,100	6,170
Taxes Other Than Income	1,730	1,775
Income Taxes	213	4,014
Total Deductions	\$ 27,843	\$ 32,059
Net Revenues	\$ 2,157	\$ 11,541
Rate Base	\$109,000	\$111,740
Rate of Return	1.98%	10.33%

Service

The staff made field investigations of the applicant's system and operations during April 1974. Plant facilities were inspected, pressures were checked, records were examined, and customers were interviewed. The staff's observations and recommendations are as follows.

The plant has been much improved by the relocation of the intake, the installation of a pressure rapid sand filter, the installation of a gas chlorinator, and the reduction of dead-end mains without blowoffs. The plant, however, is still deficient in many respects.

There are many distribution mains which were installed between 1944 and 1959 that are undersized, poorly located, and poorly bedded. They will continue to cause problems, such as low pressure during periods of high demand, until they are replaced. Some of the larger transmission and distribution mains are old and were reported to be in poor condition several years ago by various investigators including Boyle Engineering, the California Department of Public Health, and this Commission's staff.

Storage capacity is insufficient to meet emergency conditions. For example, a water outage occurred at the time of the staff's field investigation which apparently was due to an inoperative altitude valve. A similar outage was reported to have occurred several weeks earlier. Additional tanks would provide more diversity and avoid dependence on a single storage source.

Customers interviewed by the staff generally indicated that the quality of water is much better than it had been prior to the intake and treatment improvements. Most of the customers interviewed reported low pressures during the summer, especially during weekends.

From 1970 to now, there have been 12 informal complaints filed with this Commission. Seven of these were filed in 1971 and pertained to water quality. The utility has since corrected system deficiencies which caused the quality problems. One complaint filed in 1973 referred to an extended water outage that was beyond the utility's control. The four others were related to various misunderstandings of the ordering provisions of the last rate case.

#### Recommendations

The staff recommended that the applicant:

1. Use a depreciation rate of 2.7 percent of the original cost of depreciable plant for the year 1973 and continuing for five years or until review indicates a more appropriate rate.

2. Be authorized to file rates for metered service.
3. Prepare a schedule for a continuing program to replace mains and increase storage in accordance with the report specified by this Commission's Decision No. 76679, dated January 20, 1970. The recommendations of the report should be updated by a qualified engineer. The schedule should be filed with the Commission within ninety days of the decision.
4. Utilize a work order system for plant additions and retirements.
5. Adjust its plant accounts as reflected in Table II-B of Exhibit 2.
6. Discontinue the practice of recording discounts on purchases as income.
7. Be granted a rate of return of 8.6 percent on the rate base found reasonable by the Commission.

Complaints

The main objections voiced by the water users were that on weekends and in extremely hot weather the water supply and water pressure are inadequate. The principle reason is lack of adequate storage. Some of the customers expressed the view that if they received adequate water they would not object to a reasonable increase in the rates.

One user (Mr. Sorenson) complained of undersized mains and said no increase should be granted until the pressure is adjusted to give reasonable service. The applicant's engineer checked this complaint. He said, by letter dated July 12, 1974, that an investigation was made relative to pipe in an area bounded by Idyllwild, Chickadee, Sanders, and Priar Place, which area includes Mr. Sorenson's property; that within this area there are mostly 1-inch, 1½-inch, and 1½-inch mains which are looped with connections of ¾-inch pipe; and that Mr. Sorenson's service is

connected to one of these loops. The engineer said a temporary solution to obtain better service for Mr. Sorenson would be the installation of approximately 100 feet of new pipe connecting his service to a 1½-inch main at an estimated cost of \$500. The letter further states that this change will not provide the major improvement that the entire area needs to meet General Order No. 103 service pressures; that major improvements of all lines north of the 5-inch main on County Road would require an expenditure of at least \$15,000. The letter states Mr. Sorenson's pressure is deficient only at times of peak holiday occupancy and about five times per year. The engineer stated that the major project of replacing all the small lines north of County Road will be reviewed to determine if a positive date can be established when the improvements will be started.

Findings

1. Bass Lake Water Company is in need of additional revenue but the proposed rates, as set forth in the application, are excessive.
2. The estimates of operating revenues, expenses, taxes, depreciation, rate base, and rate of return for 1973 adopted herein are reasonable.
3. A rate of return of 8.6 percent on the herein adopted rate base of \$111,740 is reasonable. Applicant's capitalization is entirely equity. Annual gross revenues at this level of return total \$41,590.
4. 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. ✓
5. A portion of applicant's system has undersized pipe and applicant has insufficient storage. Applicant will be required to consult with the staff and prepare a plan within one year of the

effective date of this order, to bring the circulating and storage portions of the system up to General Order No. 103 standards.

6. Applicant should be authorized to establish metered rates as set out herein.

7. Applicant should inaugurate a work order system for plant additions and retirements.

8. Applicant should adjust its plant accounts as reflected in Table I-A in Exhibit 1 herein.

9. Applicant should cease recording discounts on purchases as income.

10. Applicant should terminate its flat rate business service.

Conclusion

We conclude 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 Bass Lake Water Company is authorized to file the new and revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the tariff schedules shall be five days after the date of filing. The schedules shall apply only to service rendered on and after the effective date thereof.

2. As soon as practicable, Bass Lake Water Company shall meter all commercial establishments.

3. Bass Lake Water Company shall commence consultation with the Commission's staff relative to the preparation of a plan,

within one year of the effective date of this order, to bring the circulating and storage portions of the system up to General Order No. 103 standards.

4. Bass Lake Water Company shall forthwith inaugurate and maintain a work order system for plant additions and retirements.

5. Bass Lake Water Company shall adjust its plant accounts as reflected in Table I-A of Exhibit 1 herein.

6. Bass Lake Water Company shall cease recording discounts on purchases as income.

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

Dated at San Francisco, California, this 4th day of SEPTEMBER, 1974.

Vernon L. Stenger  
President  
William J. Quinn  
William J. Quinn  
John J. Quinn  
John J. Quinn  
Commissioners

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Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The northwest shore of Bass Lake, including The Falls and Bass Lake, and vicinity, Madera County.

RATES

	<u>Per Meter</u> <u>Per Year</u>
Quantity Rate:	
Per 100 cu.ft. ....	\$ 0.24
Annual Service Charge:	
For 5/8 x 3/4-inch meter .....	60.00
For 3/4-inch meter .....	66.00
For 1-inch meter .....	90.00
For 1 1/2-inch meter .....	120.00
For 2-inch meter .....	16 .00

The service charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the quantity rate, for water used.

(Continued)



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Schedule No. 1A

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual service 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 service charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods. Meters will be read and quantity charges billed monthly, bimonthly or quarterly in accordance with the utility's established billing periods except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service 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. 2-RA

(C)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

(C)

TERRITORY

The northwest shore of Bass Lake, including The Falls and Bass Lake, and vicinity, Madera County.

RATES

	Per Service Connection Per Year	
1. For a single-family residential unit including premises:		
3/4-inch service .....	\$69.00	(I)
1-inch service .....	92.00	
a. For each additional single-family residential unit on the same premises and served from the same service connection .....	27.00	(I)

SPECIAL CONDITIONS

1. 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

(Continued)

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Schedule No. 2-RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS - Continued

charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods. A non-permanent resident may elect to pay the annual charge in two equal installments. Where such a resident has failed to pay the first half of the annual charge due January 1, service will not be restored until the total annual charge has been paid.

2. 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.

3. Meters may be installed at the option of the utility, and customers will be charged at the General Metered Service Rate thereafter. (C)  
(C)