

ORIGINAL

Decision No. 84505

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)

ERSKINE CREEK WATER COMPANY,
a California corporationfor Authorization to increase its
rates charged for water service.Application No. 54822
(Filed April 22, 1974)

Reginald H. Knaggs and Robert G. Monson, CPA, for
Erskine Creek Water Company, applicant.
Frances L. Yoho, for 214 customers, G. R. Cannon, for
55 Plus Club, and George W. Schiber and Harvey C.
French, for themselves, protestants.
C. A. Gird and Carl Leonard, for themselves, and
Robert Patterson, for Kern High School District,
Interested parties.
John E. Brown, for the Commission staff.

O P I N I O N

Applicant Erskine Creek Water Company seeks authority to increase its rates for water service. Applicant estimates that the proposed rates will generate gross revenues of \$69,600 for 1974, an increase of \$14,570 over present rates, which will increase the rate of return from a loss at present rates to 8.9 percent at proposed rates.

Public hearing was held before Examiner Cline at Lake Isabella on November 14 and 15, 1974. Notice of hearing had been mailed to the customers, published and posted as required by the Commission. The matter was taken under submission on November 27, 1974, upon the filing of the following memorandum from the Commission staff appearance.

"During the public hearing on November 14-15, 1974 in the above matter, the staff recommended that applicant be ordered to extend service outside its filed service area. The staff was directed to submit citations in support of its recommendation. It now appears that the interest of all parties would better be served if applicant were ordered to investigate and report on the requests for service of public witness Mr. P. L. Howard and his neighbors, including its plans to serve or reason why it refuses to serve. It is requested that the recommendation to investigate and report be accepted in lieu of the recommendation to serve."

Description of Service Area and Water System

Applicant presently furnishes water as a public utility in the community of Lake Isabella and vicinity in Kern County. As of mid July, 1974 there were 753 services being provided with water by applicant, most of which were served on a meter rate basis. Twelve residential parcels and one motel presently are provided with flat rate service.

Applicant's sources of water supply consist of two wells, both of which are equipped with 30-horsepower, lineshaft, deep well turbine pumps. Pressures within the distribution system normally range between 30 and 60 psi at the higher elevations and 90 to 105 psi at the lower elevations.

Five water storage tanks are located throughout the service area and have a combined capacity of 205,000 gallons. The transmission and distribution mains range in size from 2 inches to 10 inches in diameter.

Rates

Applicant provides flat rate service to only thirteen customers and does not plan to extend flat rate service to any new customers in the future. Service is proposed to be continued on a flat rate basis under a limited schedule because the installation of meters for the thirteen customers would require an abnormal investment.

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by the customers and by applicant. To meter the thirteen remaining flat rate customers would require an investment of \$5,000.

The following tabulation shows a comparison of the present and proposed flat rate schedules applicable to the thirteen customers:

	<u>Per Service Connection Per Month</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
For Mt. View Motel		
Manager's apartment	\$5.00	\$
Additional for each motel unit	1.00	
Including manager's apartment and rental units		65.00
For each single-family residence, including but not exceeding 8,500 square feet in area and served from a 3/4-inch service connection	4.10	5.10

A premises survey in 1973 showed that none of the flat rate customers were wasting water or abusing flat rate service conditions.

The staff recommended that unmetered services should be metered and the flat rate schedule cancelled after meters are installed.

The following tabulation is a comparison of the presently authorized rates and the rates requested by applicant for metered service:

Quantity Rates:	<u>Per Meter Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
First 800 cu.ft. or less	\$3.50	\$
Next 1,200 cu.ft. per 100 cu.ft. ..	.35	
Next 3,000 cu.ft. per 100 cu.ft. ..	.30	
Over 5,000 cu.ft. per 100 cu.ft. ..	.20	
All water sold per 100 cu.ft.		0.28

	<u>Per Meter Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
	<u>Minimum Charge</u>	<u>Service Charge</u>
For 5/8 x 3/4-inch meter	\$ 3.50	\$ 3.50
For 3/4-inch meter	4.50	4.00
For 1-inch meter	6.00	5.15
For 1 1/2-inch meter	9.00	6.75
For -inch meter	16.00	10.50
For 3-inch meter	36.00	18.00
For 4-inch meter	64.00	40.00
For 6-inch meter	90.00	75.00

The following tabulation compares typical monthly billings for like quantities of water consumption for meter rate service at both present and proposed rates for a 5/8 x 3/4-inch meter:

Comparison of Rates

<u>Consumption</u> <u>Ccf.</u>	<u>Present</u> <u>Rates</u>	<u>Monthly Billing</u>	<u>% of</u> <u>Increase</u>
		<u>Proposed</u> <u>Rates</u>	
0	\$ 3.50	\$ 3.50	-
2	3.50	4.06	16.0
4	3.50	4.62	32.0
6	3.50	5.18	48.0
8	3.50	5.74	64.0
10	4.20	6.30	50.0
15	5.95	7.70	29.4
20	7.70	9.10	18.2
25	9.20	10.50	14.1
30	10.70	11.90	11.2
40	13.70	14.70	7.3
50	16.70	17.50	4.8
75	21.70	24.50	12.9
100	26.70	31.50	18.0
200	46.70	59.50	27.4

The staff recommends that applicant be authorized to change its meter rate schedule from a minimum charge type to a service charge type as requested in the application.

The service charge type meter rate schedule with a uniform quantity charge has two advantages over the minimum charge type schedule. The revenues of the applicant will be more nearly equal during the winter and summer seasons even though the water usage is much less during the winter than during the summer. Also a uniform quantity charge for all water sold per 100 cubic feet will encourage more conservation of water usage than will the present minimum charges and declining block quantity charges per 100 cubic feet for water usage in excess of the quantity covered by the minimum charge.

Position of Customers

The customers who testified at the proceeding objected to the relatively high percentage increases proposed for domestic customers who use between 600 and 1,000 cubic feet of water per month. They contend that many of such customers are retired people with low incomes, who cannot afford to pay such high percentage increases. The highest proposed increase shown in the comparison table above is 64 percent, or \$2.24 per month, for 800 cubic feet.

By reducing the proposed service charge for the 5/8 x 3/4-inch meter from \$3.50 to \$3.00 and increasing the proposed quantity charge from \$0.28 to \$0.325 per 100 cubic feet the percentage increase for consumption of 600 cubic feet per month will be reduced from 48.0 percent to 41.4 percent. This modification in rates will not substantially change the amount of additional revenue to be provided applicant.

The following table compares present metered rates with those which will be authorized for a 5/8 x 3/4-inch meter:

Comparison of Rates

<u>Consumption</u> <u>Ccf.</u>	<u>Present</u> <u>Rates</u>	<u>Monthly Billing</u>		<u>% of</u> <u>Increase</u>
		<u>Authorized</u> <u>Rates</u>		
0	\$ 3.50	\$ 3.00	Decrease	
2	3.50	3.65	4.3	
4	3.50	4.30	22.9	
6	3.50	4.95	41.4	
8	3.50	5.60	60.0	
10	4.20	6.25	48.8	
15	5.95	7.88	32.4	
20	7.70	9.50	23.4	
25	9.20	11.12	20.9	
30	10.70	12.75	19.2	
40	13.70	16.00	16.8	
50	16.70	19.25	15.3	
75	21.70	27.38	26.2	
100	26.70	35.50	33.0	
200	46.70	68.00	45.6	

Results of Operation

The following tabulation summarizes the results of operation for the test year 1974 as estimated by both applicant and staff at present and proposed rates:

Results of Operation

Item	1973 Recorded	1974 Estimated			
		Present Rates		Proposed Rates	
		Applicant	Staff	Applicant	Staff
Operating Revenues	\$48,900	\$ 55,030	\$ 55,400	\$ 69,600	\$ 70,750
<u>Deductions</u>					
Operating Expenses	43,837	42,030	40,900	42,030	40,900
Depreciation Expense	7,577	8,160	8,050	8,160	8,050
Taxes Other Than on Income	6,612	6,020	6,500	6,020	6,700
Taxes on Income	249	200	200	1,660	2,900
Total Deductions	58,275	56,410	56,650	57,870	58,550
Net Revenues	(9,375)	(1,380)	(250)	11,730	12,200
Average Depreciated Rate Base	-	131,740	133,700	131,740	133,700
Rate of Return	-	Loss	Loss	8.90%	9.12%

(Red Figure)

Rate of Return

The above tabulation indicates that under proposed rates, applicant will earn 8.9 percent on rate base based on applicant's estimates for the test year 1974 as compared with 9.12 percent based on the staff's estimates. The return on applicant's common equity would be the same, as applicant's capital structure is made up entirely of equity capital. Evidence submitted by the staff shows that a rate of return on rate base for the estimated year 1974 between 8.9 percent and 9.12 percent is within the range of reasonableness.

Service Matters

Some of the customers testified that the water pressure is too low. The difficulty arises because in some instances split 3/4-inch service lines are connected to a 3/4-inch line. Whenever the 3/4-inch lines to which such split services connect are replaced, they should be replaced with a 1-inch line to provide adequate pressure.

The staff made field investigations of applicant's system and operations during June and July of 1974. Plant facilities were inspected, pressures checked, records examined, and customers interviewed. The level of service has greatly improved since applicant installed the facilities required by the Commission during the last rate increase application. The staff believes that the service presently provided is adequate.

Perry Howard has requested applicant to extend its service to provide water service to an adjacent area where 200 to 250 homes could be built. This request was the basis for the staff recommendation for an investigation by applicant and a report to the Commission.

The staff has also made two additional recommendations as follows:

1. That applicant install and place in operation adequate measuring devices at the present sources of supply within ninety days after the effective date of the order in this proceeding, and inform the Commission, in writing, within ten days thereafter, and

2. That applicant take steps to obtain clear title to the sites for all sources of supply, pumping and storage facilities with the exception of the booster pump station on Alta Sierra Avenue, and certify, in writing, to the Commission, over the signature of an authorized officer, that such title has been obtained within ninety days after the effective date of the order in this proceeding.

One of the customers requested that an audit of the 1971, 1972, and 1973 records of applicant be made by the Commission's accounting staff. As the investigation made by the member of the staff of the Commission's Hydraulic Branch which is reported in Exhibit 6 is adequate for this proceeding, such request is denied.

Findings

1. Applicant is in need of additional revenues in the amount of \$15,350.

2. The staff's estimates of operating revenues, operating expenses and rate base for the test year 1974 reasonably represent the results of applicant's future operations and are adopted in this proceeding.

3. A rate of return of 9.12 percent on rate base is reasonable.

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. Applicant should be required to investigate and report on the requests for service of public witness P. L. Howard and his neighbors and include in such report its plans to serve such persons or the reasons why it refuses to serve such persons.

6. Applicant should not be required at this time to install meters on its existing flat rate services and withdraw its flat rate schedule.

7. Applicant should be authorized to change its meter rate schedule from a minimum charge type to a service charge type.

8. Applicant should be required to install and place in operation adequate measuring devices at its present sources of supply.

9. Applicant should be required to take steps to obtain clear title to the sites for all sources of supply, pumping and storage facilities with the exception of the booster pump station on Alta Sierra Avenue.

Conclusion

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, applicant Erskine Creek Water Company is authorized to file the revised rate schedules attached to this order as Appendix A and concurrently to cancel all of its corresponding present rate schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Applicant shall promptly investigate the requests for service of P. L. Howard and his neighbors and shall file with the Commission on or before August 31, 1975, a report of the results of such investigation and include in such report its plans to serve such persons or the reasons why it refuses to serve such persons.

3. Applicant shall install and place in operation adequate measuring devices at its present sources of supply within ninety days after the effective date of this order, and within ten days thereafter applicant shall file with this Commission a report of the installation and placing in operation of such measuring devices.

4. Applicant shall promptly take steps to obtain clear title to the sites for all sources of its water supply, pumping and storage facilities, with the exception of the booster pump station on Alta Sierra Avenue, and within ninety days after the effective date of this order applicant shall certify in writing over the signature of an authorized officer that titles to such sites have been obtained or report why applicant has not been able to obtain title to any of such sites.

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

Dated at San Francisco, California, this 3rd
day of JUNE, 1975.

Vernon L. Sturgeon
President
William J. Quisenberry Jr.
Leonard Ross
Robert S. Bunker
Commissioners

APPENDIX A
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Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Lake Isabella and vicinity, Kern County.

(T)
(T)

RATES

Service Charge:

Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 3.00	(I)
For 3/4-inch meter	3.30	
For 1-inch meter	4.50	
For 1 1/2-inch meter	6.00	
For 2-inch meter	8.00	
For 3-inch meter	15.00	
For 4-inch meter	20.00	
For 6-inch meter	35.00	(I)

(N)

Quantity Rates:

For all water delivered per 100 cu.ft. \$0.325 (I)

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 Rates, for water used during the month.

(N)

(N)

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Schedule No. 2L
LIMITED FLAT RATE SERVICE

(N)

(N)

APPLICABILITY

Applicable to flat rate service on a limited basis.

(N)

TERRITORY

The unincorporated community of Lake Isabella and vicinity, Kern County.

(T)

(T)

RATES

	Per Service Connection Per Month	
For Mt. View Motel, including manager's apartment and rental units	\$65.00	(N)(N)
For each single-family residence including, but not exceeding, 8,500 square feet in area and served from a 3/4-inch service connection	5.10	(T)(T)

SPECIAL CONDITIONS

1. All service not covered by the above classifications shall be furnished only on a metered basis.

2. For service covered by the above classifications, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.

(T)

3. Service under this schedule shall be limited to the premises being served hereunder as of the effective date of this tariff sheet.

(N)

(N)