

Decision 88 10 029 OCT 14 1988**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of Rural Water Company for general )  
rate increase for water service of )  
\$47,100 for 1988 in San Luis Obispo )  
County. )

Application 88-01-021  
(Filed January 21, 1988)

Robert A. Smith and Richard C. Smith, for  
Rural Water Company, applicant.  
Russell C. McGee, for customers of  
applicant, protestants.  
Hallie Yacknin, Attorney at Law, for the  
Commission Advisory and Compliance  
Division.

#### INTERIM OPINION

Rural Water Company (Rural) seeks authority to increase its rates for water service. Its service area, which is relatively large and in general sparsely populated, is located south of Arroyo Grande in San Luis Obispo County. It serves 142 metered and 4 flat rate residential customers.

#### Background

Rural, by draft advice letter filed December 14, 1987, requested authority under Section VI of General Order 96-A and Public Utilities Code § 454 to increase its rates sufficient to provide a rate of return of 10.5% or an increase in revenue of 100%, whichever is smaller for test year 1988. The increase has been requested because of increased operation and maintenance expenses. After receiving 5 letters and a petition containing 138 signatures representing 94 service addresses opposing the proposed increase, the draft advice letter was docketed as a formal application on January 21, 1988. Its current rates have been in effect since July 20, 1983.

Public witness hearings for the receipt of evidence and/or statements were held before Administrative Law Judge (ALJ) O'Leary in the afternoon and evening of June 1, 1988 at Halcyon. During the afternoon, Mr. McGee, the person representing the customers of Rural, testified at length concerning the reasons for the customers' opposition to the proposed increase. Mr. McGee also presented various charts and documents which were received in evidence as Exhibit 1, which illustrated some of his concerns. During the evening, Mr. Doweidt, another customer of Rural, testified at length concerning his opposition to the proposed increase. One person gave a statement wherein she stated that both she and her husband concurred with and supported the testimony of Mr. McGee. Evidentiary hearings were held before ALJ O'Leary June 2, 1988 at which Mr. McGee and Mr. Doweidt were cross-examined (the cross-examination was deferred from the previous day because of the length and complexity of their direct testimony). At the evidentiary hearing evidence was presented by two engineers from the Commission's Water Utilities Branch (staff). Mr. Robert Smith of the applicant testified that Rural was willing to accept the recommendations made by the staff. The matter was submitted with the filing of the transcript on June 14, 1988.

Mr. McGee testified that there are certain indications that Rural has conducted its business in the past in a manner which seemed dishonest to many of its customers. Examples of the alleged dishonesty were testified to by Mr. McGee and can be summarized as follows:

1. The development of the tract in which he resides which is called "Rocking Horse Ranchos" and the difficulty its homeowners' association has had with Rural and its management.
2. In connection with this application, a public meeting was held on December 21, 1987 in Arroyo Grande. Notice of the meeting was dated December 14, 1987 and received by most people on December 16th or

17th. The meeting was held in an obscure location. Mr. McGee believes that the short notice and obscure location are indications that Rural attempted to obtain the rate increase without opposition.

3. In connection with the application to sell the system (A.88-04-047), notices sent to customers stated in part: "Copies of the application are available for inspection at the office of the Rural Water Company at 670 Camino Del Rey, Arroyo Grande, California, during normal business hours, and at the office of the Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California." Mr. McGee testified that it is not practical for the customers to go to the Commission's office in San Francisco and that a trip to the Arroyo Grande address would disclose a chain link fence, a patch of weeds, and an old water tank. A photograph of the Arroyo Grande premises is contained on page 4 of Exhibit 1.

Mr. McGee also testified that he examined the annual reports of Rural for 1983 thru 1987 and was concerned because of irregularities that are for the most part not explained. He also characterized as erroneous and unwarranted a statement in the staff report which indicated that if the sale of the system requested in A.88-04-047 was not approved, there would be no customer growth. Mr. McGee also questioned some of the expense figures set forth in the staff report. The areas in question are the expenses for bookkeeping, professional services, and power costs to pump water. With respect to the latter, Mr. McGee alleges that soon a new well will be connected to the system which will use only half the power to pump since it is only half as deep as the other two wells on the system. Mr. McGee contends that taking all of the above into consideration should reduce expenses by approximately \$10,000 per year.

Mr. Doweidt pointed out discrepancies in the annual reports filed by Rural from 1983 to 1987, inclusive. He also questioned expense figures with respect to the following:

1. Computer Investment - \$10,164
2. Professional Services
3. Insurance
4. General Expense
5. Property Taxes

Mr. Doweidt suggested a charge of 1.5¢ per month to be assessed on past-due amounts with a minimum charge of \$0.50 per month. He also set forth a comparison of Rural's rates and water companies in the area as follows:

<u>Company</u>	<u>1,000 Cu.ft.</u>	<u>2,000 Cu.ft.</u>	<u>3,000 Cu.ft.</u>
City of Grover City	\$ 8.75	\$14.75	\$20.75
City of Pismo Beach	8.75	19.95	30.75
Nipomo Community Services District	9.00	14.00	19.00
City of Arroyo Grande	11.20	17.20	23.20
Calif. Cities (Nipomo)	11.52	17.54	23.56
County Service Area 1G (Black Lake)	12.10	20.30	28.50
Oceano Community Services District	13.85	28.85	43.85
Average of Above	10.74	18.91	27.09
Rural	16.43	27.29	38.15

Based on the above comparisons, Mr. Doweidt alleges that Rural's rates, based on a consumption of 2,000 cubic feet, are 44¢ higher than the average and higher than all of the 7 listed, with the exception of the Oceano Community Services District. Mr. Doweidt also alleges that, to the best of his knowledge, the rates of Rural for 2,000 cubic feet are 62¢ higher than the rates of California Cities at Nipomo which he believes to be the nearest water company regulated by this Commission.

Staff Evidence

Mr. Robert Mahin, an associate utilities engineer, employed in the Commission Advisory and Compliance Division, Water Utilities Branch, testified and presented the Staff Results of Operations Report which was received in evidence as Exhibit 2.

Exhibit 2 sets forth financial data assuming the transfer requested in A.88-04-047 is not approved and alternate data assuming the transfer is approved. The differences in the data are the result of the witness assuming no growth in 1989 in the event the transfer is not approved and a growth of 45 metered customers by year-end 1989 if it is approved. Mr. Mahin testified that his assumption concerning no growth in the event the transfer was not approved was erroneous. He further testified that whether or not the transfer is approved the rate of growth would be the same. In view of this testimony, it is not necessary to discuss the financial data that assumes no growth.

Mr. Mahin also testified that certain expenses set forth in Exhibit 2, namely, contract work and management salaries, are overstated and should be adjusted downward. The \$8,775 figure for contract work, which includes \$8,000 in wages for office help and the management salaries figure of \$12,000, result in a total of \$20,000 for wages and/or salaries. The combined total (\$20,000) constitutes approximately 40% of the total operating expenses. Mr. Mahin said the combined figure for office help, wages and management salaries should approximate \$9,000, which figure is based upon a rule of thumb of \$5.00 per month per customer. Mr. Mahin further testified that the above figures should be amended to reflect a combined reduction of \$11,000. The tables set forth below have been revised to reflect the reduction. Mr. Mahin was unable to determine whether the reduction should be made in the contract work account or the management salaries account. As a matter of convenience we have reduced each of the two accounts to approximately the same level.

Table 1 sets forth the adopted summary of earnings at present rates and staff's recommended rate of return of 10.5%.

TABLE 1

Adopted Summary of Earnings  
Test Year 1988

<u>Item</u>	<u>Present Rates</u>	<u>Recommended Rates</u>
Operating Revenues	\$ 50,345	\$ 66,460
Operating Expenses	38,390	38,390
Depreciation Expense	5,675	5,675
Taxes Other Than Income	1,400	1,400
Income Taxes	1,120	4,810
Net Revenue	3,760	16,185
Rate Base	154,220	154,220
Rate of Return	2.44%	10.50%

Table 2 sets forth a summary of the operating expenses adjusted as heretofore mentioned. The operating expenses remain constant under both present rates and the staff recommendation as can be seen from Table 1.

TABLE 2

Adopted Operating Expenses  
Test Year 1988

<u>Item</u>	<u>Present Rates</u>	<u>Recommended Rates</u>
Purchased Power	\$12,855	\$12,855
Contract Work	4,775	4,775
Transportation Expense	300	300
Other Plant Maint.	1,440	1,440
Management Salaries	5,000	5,000
Office Supplies and Expense	2,190	2,190
Professional Services	3,100	3,100
Insurance	7,130	7,130
Reg. Comm. Exp.	800	800
General Expense	800	800
Total Oper. Exp.	\$38,390	\$38,390

The operating revenue figures set forth in Table 1 are based upon 152 metered customers, with an average monthly

consumption of 2,000 cubic feet per year, and 4 flat rate customers. It can readily be seen from Table 1 that Rural's additional revenue requirement based upon staff's recommendation is \$16,115 (\$66,460-\$50,345), or 32.0%. ✓

Rural's current rates are as follows:

Flat Rate Service ..... \$25.00 per month

Metered Service

Per Meter  
Per Month

Service Charge:

5/8 x 3/4-inch meter .....	\$6.00
3/4-inch meter .....	6.60
1-inch meter .....	9.00
1.5-inch meter .....	12.00
2-inch meter .....	16.20
3-inch meter .....	30.00
4-inch meter .....	40.80

Quantity Rates:

First 300 cu.ft. per month ..	\$0.90 per 100 cu.ft.
Over 300 cu.ft. per month ..	\$1.07 per 100 cu.ft.

The staff recommends that Rural's rates be increased in the following manner:

1. Flat Rate Service be increased by the same percentage as the overall revenue increase;
2. Metered Service be increased by:
  - a. Increase the service charge to recover up to 50% of fixed costs, and
  - b. A single quantity rate regardless of the amount used per month.

Exhibit 2 does not set forth what rates would be necessary to accomplish this.

The downward adjustment in the expense figures for management salaries and contract work should eliminate Mr. McGee's concerns regarding the expenses for bookkeeping since, as pointed

out above, the contract work expense includes the posting of accounts which is a bookkeeping function. With respect to professional services expense of \$3,100, Exhibit 2 explains that it includes the costs of accounting, legal, and engineering services. Mr. Mahin testified that engineering expenses with respect to expansion of the system were not included. Such expenses are included in contributions. With respect to the purchased power expense, Mr. Mahin gave a detailed month-by-month account of the estimated total water pumped based on the water pumped for a given year and the cost for pumping based upon PG&E's tariff rate effective June 15, 1987.

Mr. Mahin also testified that when analyzing an application for a rate increase by a water company, annual reports are utilized as a tool in the analysis; however, the figures in the annual report are verified or adjusted depending on the results of the staff audit. A perfect example of this process is contained in Exhibit 2 wherein the staff disallowed 1/2 the purchase price of a computer. In the annual report Rural may have booked the entire cost as an addition to rate base; however, in making its analysis, the staff disallowed a portion thereby causing a difference between Rural's estimate of total rate base and the staff's estimate of rate base. Mr. Mahin's rate base figure is based upon the audit conducted rather than on the annual report figures.

Mr. Finnstrom, the supervisor of the Commission's Water Utilities Branch in the Los Angeles office, testified with respect to the seemingly large discrepancies in the annual reports between 1985 and 1986. Mr. Finnstrom basically expanded upon the information contained in Exhibit 2 at paragraphs 11 and 12 which state the following:

- "11. The current request for a rate increase is the outgrowth of inquiries made about two years ago. At that time the Branch discovered that the company's records were so poorly kept and incomplete that there was no sound basis for processing a rate



increase. Plant records were so inadequate that there was no way to establish a rate base. Operational expense records were so incomplete that the staff could not have determined the adequacy of Rural's rates even if there had been a rate base upon which to establish a rate of return for the company.

- "12. At that time the Branch collected all available plant information from within the company as well as from the engineering firm that had designed recent plant additions and modifications and from vendors. The Branch was then able to update to 1985 the rate base that had been established for 1982 by PUC Decision 83-06-009 of June 1, 1983. That work provides a rate base through 1985 and the company's annual reports now provide sufficient recorded data for the years 1986 and 1987. (Plant data seems to be adequate but operational data is poor in that many operating expenses were not recorded in the categories prescribed by the Uniform System of Accounts for Class B, C, and D Water Utilities.)"

On cross-examination by staff counsel, Mr. Doweidt testified that he wished the financial information audited to determine the accuracy of the information.

#### Discussion

We do not believe it necessary to conduct another audit of Rural's books. Mr. Mahin has testified that, in connection with this application, he conducted an audit of the books and accounts. We are aware that Rural has been lax with respect to the accuracy of some of the entries in its annual reports. However, this is not uncommon with respect to many water companies similar in size to Rural. In order to conserve expenses, such water companies are unable to obtain the expertise needed at times to accurately complete annual reports. It is because of such deficiencies that audits such as the one conducted by Mr. Mahin are necessary. We

are convinced that the analysis of Mr. Mahin is accurate and that another audit would serve no useful purpose. We do not believe a 1.5% late charge as suggested by Mr. Doweidt is appropriate since there is no evidence that late payments are a major problem.

Adopted Rate Design

On May 28, 1986 we issued D.86-05-064 in I.84-11-041 wherein we set forth our policy with respect to rate design. In Ordering Paragraph 2 of that decision, we set the following guidelines:

- a. Service charges shall be set to allow utilities to recover up to 50% of their fixed cost.
- b. Lifeline rates shall be phased out.
- c. There may be multiple commodity blocks, with the number of commodity blocks to be limited to no more than three blocks.
- d. Seasonal rates may be applied in resort areas.

Ordering Paragraphs 3 and 4 of that decision set forth the following:

- "3. The new policy shall be implemented in future general rate proceedings.
- "4. Fixed cost as it relates to service charge shall be defined as those direct costs that are necessary to provide customers access to water, including:
  - "a. Maintenance expense
  - "b. Transmission and distribution expense
  - "c. Customer account expense, excluding incollectibles
  - "d. Administrative and general expense
  - "e. Rent expense
  - "f. Depreciation expense

"g. Property tax expense

"h. Gross return on investment (rate base)"

Based on the above definition of fixed cost review of our adopted expense figures, Tables 1 and 2, \$48,650 are fixed expenses of which up to 50% should be recovered by service charges. Under present rates Rural's revenue from service charges for test year 1988 would aggregate \$11,030. This is based on 149 residential customers with 5/8 x 3/4-inch meters paying a service charge of \$6.00 per month, 2 customers with 3/4-inch meters paying \$6.60 per month and one customer with 1.5 inch meter paying \$12.00 per month.

D.86-05-064 also observed that in applying these guidelines, we do not expect a customer's total water bill to be increased substantially more than the total system increase. In this case, raising the service charge to recover as much as 50% of Rural's fixed costs would result in increasing some customers' bills more than twice the total system increase, so we will not do so.

In accordance with Ordering Paragraph 2(b) of D.86-05-064 we will eliminate the 300 cubic feet quantity rates.

Our adopted rate design is set forth in Appendix A. Based on staff's projections for 1988 of 4 flat rate customers and 149 customers with 5/8 x 3/4-inch meters, 2 customers with 3/4-inch meters and one customer with 1.5 inch meter with consumption of 2,000 cubic feet per month, our adopted rate design provides for recovery of \$18,109 thru service charges and the remainder of the revenue requirement thru the usage charge.

A comparison of monthly bills adopted for a 5/8 x 3/4-inch meter (residential customer) with consumption of 2,000 cubic feet per month is as follows:

<u>Charge Under Present Rates</u>	<u>Charge Under Adopted Rates</u>	<u>Increase Amount</u>	<u>Percent</u>
\$26.89	\$35.25	\$8.36	31.1%

The Administrative Law Judge's proposed decision was filed and mailed to the parties on August 17, 1988. No comments on the proposed decision have been filed.

On September 20, 1988, Mr. McGee, the representative of the ratepayers, filed a petition to set aside submission in accordance with Rule 84 of the Commission's Rules of Practice and Procedure. The petition alleges that certain materials have been obtained since submission. Said materials were not made available to him prior to the submission of the application even though such materials had been requested from the staff who had them in its possession. The petition further alleges that the recently obtained materials disclose that non-contributed costs should be reduced by \$93,759, and that \$72,001 in cash contributions and estimated cash contributions should be accounted for since they reduce the utility's real cost of doing business. It would be inappropriate to analyze this new material without giving applicant and our staff time to respond to the allegations contained in the petition. We also do not wish to delay the grant of the increases in rates that we here find to be just and reasonable. We will authorize the increases in rates, however, in order to protect the petitioner should the allegations contained in the petition to reopen the proceeding be found to be correct we will order that the increased rates will be subject to refund. The amount subject to refund will be annual revenue of \$9,845 plus applicable income taxes on that amount for the issue of non-contributed cost reductions, and annual revenue of \$7,560 plus applicable income taxes on that amount for the cash contributions issue. The \$9,845 was arrived at by multiplying the claimed reduction in rate base (\$93,759) by the 10.5% rate of return. The \$72,001 was arrived at by adding \$48,000 in estimated cash contributions for Tracts 1147 and 760 to the \$24,001 remaining after the \$34,650 cost of the Tract 841 transmission line and the \$41,349 cost of the Tract 1088 to Tract 933 transmission line are subtracted from the \$100,000

cash contributions received by the utility from the developers of Tract 841. Assuming that contributions received by the utility which exceed the cost of the water system those contributions were intended to pay for and which were not refunded to the developers making those contributions should be used to reduce rate base, we can determine an annual revenue impact for the cash contributions issue. The \$7,560 was arrived at by multiplying the claimed reduction in rate base by the 10.5% rate of return.

Findings of Fact

1. Staff's estimates as to expenses and revenues set forth in Tables 1 and 2, and the quantities shown in Appendix B upon which they are based are reasonable.

2. A petition to set aside submission has been filed, which contends rate base should be reduced by \$93,759, and that \$72,001 in cash contributions from developers should be accounted for with the contributions received which exceed the cost of the water system to be paid for by those contributions and not returned to the developers being used to reduce rate base.

3. Pending final disposition of this matter, staff's computation of rate base at \$154,220 is reasonable.

4. The amount of annual revenue affected by the non-contributed plant rate base reduction issue raised by the petition described in Finding 2 is \$9,845 plus income tax applicable thereto.

5. Assuming that contributions received by the utility which exceed the cost of the water system those contributions were intended to pay for and which were not refunded to the developers making those contributions should be used to reduce rate base, we can determine an annual revenue impact for the cash contributions issue raised by the petition described in Finding 2. On this basis, the amount of annual revenue affected by the cash contributions issue raised by the petition is \$7,560 plus income tax applicable thereto.

6. A rate of return of 10.5% is reasonable.

7. Pending final disposition of this matter, the increases authorized in Appendix A are just and reasonable.

Conclusions of Law

1. The application should be granted to the extent set forth in the following order.

2. The effective date of this order should be the date of signature because of the immediate need for additional revenues.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order, Rural Water Company is authorized to file the revised rate schedules attached to this order as Appendix A and to concurrently withdraw and cancel its present schedules for such service. Such filing shall comply with General Order Series 96.

2. The rates authorized in this decision shall be subject to refund upon further order of the Commission. The amount of revenue subject to refund is \$9,845 annually plus income tax attributable thereto for the non-contributed plant reduction in rate base issue, and \$7,560 annually plus income tax attributable thereto for the cash contributions accounting issue.

3. The effective date of the revised schedules authorized by Ordering Paragraph 1 shall be no earlier than five days after the date of filing. The revised schedules shall apply only to service rendered on and after its effective date.

This order is effective today.

Dated October 14, 1988, at San Francisco, California.

STANLEY W. HULETT  
President  
DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.



Victor Weisser, Executive Director



APPENDIX A  
Page 1  
RURAL WATER COMPANY  
Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Tract 151, and vicinity, located approximately 2 miles southeast of the community of Oceano, San Luis Obispo County.

RATES

Per Meter  
Per Month

Quantity Rate:

All water delivered per 100 cu.ft. ....	\$ 1.27	(C) (I)
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Service Charges:

For 5/8 x 3/4-inch meter .....	9.85	(I)
For 3/4-inch meter .....	10.85	.
For 1-inch meter .....	14.75	.
For 1 1/2-inch meter .....	19.70	.
For 2-inch meter .....	26.60	.
For 3-inch meter .....	49.20	.
For 4-inch meter .....	67.00	(I)

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.



APPENDIX A  
Page 2  
RURAL WATER COMPANY  
Schedule No. 2

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat residential water service.

TERRITORY

The unincorporated area known as Tract 151 and vicinity, located approximately 2 miles southeast of the community of Oceano, San Luis Obispo.

RATES

	Per Service Connection	
	<u>Per Month</u>	
For a single-family residence .....	\$ 41.00	(I)

SPECIAL CONDITIONS

1. The above flat rate applies to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.

APPENDIX B  
Page 1  
RURAL WATER COMPANY

ADOPTED QUANTITIES  
1988 Test Year

Name of Company:	Rural Water Company	
Federal Tax Rate		15%
State Tax Rate		9.3%
Business License		None
Uncollectible Rate		0.0%

Expenses

1. Purchased Power  
Serving Utility: PG&E Co., Rate Schedule: A-1P,  
Effective date: 6/15/87  
Seasonal Rates: Summer \$ 0.10096 per kWh  
Winter 0.08297 per kWh  
Energy Use: Summer 90,233 kWh  
Winter 42,015 kWh  
Subtotal Electric \$ 12,595  
Propane 260  
Total 12,855

2. Payroll:

Management Salaries	\$5,000
Contract Labor	<u>4,775</u>
Total	9,775

3. Payroll Taxes \$ 0

4. Ad Valorem Taxes	\$ 455
Tax Rate	1.018%
Assessed Value	\$44,600

Service Connections

Metered:	
5/8 x 3/4-inch.....	149
3/4-inch.....	2
1-inch.....	0
2-inch.....	<u>1</u>
Total metered	152

Flat Rate	<u>4</u>
Total Services	156

Metered water sales used to design rates: 36,480 Ccf

## APPENDIX B

Page 2

## RURAL WATER COMPANY

ADOPTED TAX CALCULATIONS  
1988 Test Year

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenues	\$66,460	\$66,460
2.	Expenses	38,390	38,390
3.	Taxes Other Than Income	1,400	1,400
4.	Depreciation Expense	5,675	5,675
5.	Interest	0	0
6.	State Tax @ 9.3%		1,950
7.	Taxable Income for State Tax	20,995	
8.	State Tax	1,950	
9.	Taxable Income for FIT		19,045
10.	Federal Income Tax (@ 15%)		2,855
11.	Total Income Tax		4,805

Decision \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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of Rural Water Company for general  
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Commission Advisory and Compliance  
Division.

OPINION

Rural Water Company (Rural) seeks authority to increase its rates for water service. Its service area, which is relatively large and in general sparsely populated, is located south of Arroyo Grande in San Luis Obispo County. It serves 142 metered and 4 flat rate residential customers.

Background

Rural, by draft advice letter filed December 14, 1987, requested authority under Section VI of General Order 96-A and Public Utilities Code § 454 to increase its rates sufficient to provide a rate of return of 10.5% or an increase in revenue of 100%, whichever is smaller for test year 1988. The increase has been requested because of increased operation and maintenance expenses. After receiving 5 letters and a petition containing 138 signatures representing 94 service addresses opposing the proposed increase, the draft advice letter was docketed as a formal application on January 21, 1988. Its current rates have been in effect since July 20, 1983.

consumption of 2,000 cubic feet per year, and 4 flat rate customers. It can readily be seen from Table 1 that Rural's revenue requirement based upon staff's recommendation is \$16,115 (\$66,460-\$50,345), or 32.0%.

Rural's current rates are as follows:

Flat Rate Service ..... \$25.00 per month

Metered Service

Per Meter  
Per Month

Service Charge:

5/8 x 3/4-inch meter .....	\$6.00
3/4-inch meter .....	6.60
1-inch meter .....	9.00
1.5-inch meter .....	12.00
2-inch meter .....	16.20
3-inch meter .....	30.00
4-inch meter .....	40.80

Quantity Rates:

First 300 cu.ft. per month .. \$0.90 per 100 cu.ft.  
Over 300 cu.ft. per month .. \$1.07 per 100 cu.ft.

The staff recommends that Rural's rates be increased in the following manner:

1. Flat Rate Service be increased by the same percentage as the overall revenue increase;
2. Metered Service be increased by:
  - a. Increase the service charge to recover up to 50% of fixed costs, and
  - b. A single quantity rate regardless of the amount used per month.

Exhibit 2 does not set forth what rates would be necessary to accomplish this.

The downward adjustment in the expense figures for management salaries and contract work should eliminate Mr. McGee's concerns regarding the expenses for bookkeeping since, as pointed

Findings of Fact

1. Staff's estimates as to expenses and revenues set forth in Tables 1 and 2, and the quantities shown in Appendix B upon which they are based are reasonable.
2. Staff's computation of rate base at \$154,220 is reasonable.
3. A rate of return of 10.5% is reasonable.
4. The increases in rates authorized in Appendix A are just and reasonable, and present rates insofar as they differ from those prescribed, are for the future unjust and unreasonable.

Conclusions of Law

1. The application should be granted to the extent set forth in the following order.
2. The effective date of this order should be the date of signature because of the immediate need for additional revenues.

ORDER

IT IS ORDERED that:

1. After the effective date of this order, Rural Water Company is authorized to file the revised rate schedules attached to this order as Appendix A and to concurrently withdraw and cancel its present schedules for such service. Such filing shall comply with General Order Series 96.

The Administrative Law Judge's proposed decision was filed and mailed to the parties on August 17, 1988. No comments on the proposed decision have been filed.

Findings of Fact

1. Staff's estimates as to expenses and revenues set forth in Tables 1 and 2, and the quantities shown in Appendix B upon which they are based are reasonable.

2. Staff's computation of rate base at \$154,220 is reasonable.

3. A rate of return of 10.5% is reasonable.

4. The increases in rates authorized in Appendix A are just and reasonable, and present rates insofar as they differ from those prescribed, are for the future unjust and unreasonable.

Conclusions of Law

1. The application should be granted to the extent set forth in the following order.

2. The effective date of this order should be the date of signature because of the immediate need for additional revenues.

ORDER

IT IS ORDERED that:

1. After the effective date of this order, Rural Water Company is authorized to file the revised rate schedules attached to this order as Appendix A and to concurrently withdraw and cancel its present schedules for such service. Such filing shall comply with General Order Series 96.

The Administrative Law Judge's proposed decision was filed and mailed to the parties on August 17, 1988. No comments on the proposed decision have been filed.

On September 20, 1988, Mr. McGee, the representative of the ratepayers, filed a petition to set aside submission in accordance with Rule 34 of the Commission's Rules of Practice and Procedure. The petition alleges that certain materials have been obtained since submission. Said materials were not made available to him prior to the submission of the application even though such materials had been requested from the staff who had them in its possession. The petition further alleges that the recently obtained materials disclose that non-contributed costs should be reduced by \$93,759. It would be inappropriate to analyze this new material without giving applicant and our staff time to respond to the allegations contained in the petition. We also do not wish to delay the grant of the increases in rates that we here find to be just and reasonable. We will authorize the increases in rates, however, in order to protect the petitioner should the allegations contained in the petition to reopen the proceeding be found to be correct we will order that the increased rates will be subject to refund. Said refund will be limited to annual revenue of \$9,845 plus applicable income taxes on that amount. The \$9,845 was arrived at by multiplying the claimed reduction in rate base (\$93,759) by 10.5% of the claimed reduction in rate base.

Findings of Fact

1. Staff's estimates as to expenses and revenues set forth in Tables 1 and 2, and the quantities shown in Appendix B upon which they are based are reasonable.
2. A petition to set aside submission has been filed, which contends rate base should be reduced by \$93,759.
3. Pending final disposition of this matter, staff's computation of rate base at \$154,220 is reasonable.



2. The effective date of the revised schedules authorized by Ordering Paragraph 1 shall be no earlier than five days after the date of filing. The revised schedules shall apply only to service rendered on and after its effective date.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

4. The amount of annual revenue affected by the petition described in Finding 2 is \$9,845 plus income tax applicable thereto.

5. A rate of return of 10.5% is reasonable.

6. Pending final disposition of this matter, the increases authorized in Appendix A are just and reasonable.

Conclusions of Law

1. The application should be granted to the extent set forth in the following order.

2. The effective date of this order should be the date of signature because of the immediate need for additional revenues.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order, Rural Water Company is authorized to file the revised rate schedules attached to this order as Appendix A and to concurrently withdraw and cancel its present schedules for such service. Such filing shall comply with General Order Series 96.

2. The rates authorized in this decision shall be subject to refund upon further order of the Commission. The amount of revenue subject to refund is limited to \$9,845 annually plus income tax attributable thereto.

3. The effective date of the revised schedules authorized by Ordering Paragraph 1 shall be no earlier than five days after the date of filing. The revised schedules shall apply only to service rendered on and after its effective date. ✓

This order is effective today.

Dated OCT 14 1988, at San Francisco, California.

STANLEY W. HULETT  
President

DONALD VIAL  
FREDERICK R. DUDA  
C. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners