

Decision 90 01 033 JAN 24 1990

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )	
Rosella Water Company for increase )	Application 89-04-032
in rates for water service of 100 )	(Filed April 18, 1989)
percent in Tulare County. )	

Don Carter, for Rosella Water Company,  
applicant.  
William Louis Dolmovic, for Ponderosa Property  
Owners Association, interested party.  
Daniel R. Paige, for the Commission Advisory  
and Compliance Division.

INTERIM OPINION

Rosella Water Company (utility or applicant) filed an advice letter rate increase request on January 11, 1989. The advice letter sought an additional \$12,051 in annual revenue, roughly a 100% increase over present rates. The utility's owner contended that additional revenue is needed because of increases in the cost of electric energy, contracted repair work, and other expenses. The utility's present basic rate authorized by Resolution W-2309 has been in effect since February 1, 1978.

The following table compares present and proposed rates:

	<u>Flat Rate per Year</u>	
	<u>Present</u>	<u>Proposed</u>
Single-family Residence	\$117	\$234
Lodge and Associated Enterprises	310	620
Each Additional Rental Unit	100	200
Each Additional Store, Shop, Cafe or Service Station	100	200

There is no metered service.

The utility has 103 residential customers and one commercial customer in the Tulare County mountain community of Ponderosa. Fifteen to 20 residents remain in the area all year. Ponderosa is in the Sequoia National Forest at an elevation of 7,200 feet, about 44 miles east of Porterville on State Route 190.

As a part of its investigation of the proposed increase, the Water Utilities Branch staff (Branch) held two public meetings with customers of the utility and its management. The first was in Visalia on March 16 and was attended by 22 customers. The utility representative explained why a rate increase was needed. Several customers asked questions about the utility's expenses, including the free use of water for construction purposes on the utility owner's new subdivision. There was general dissatisfaction with service; the primary concern was the number of service outages in the winter. Because of the utility's failure to improve winter reliability, many of its customers voiced opposition to the rate increase.

Some customers stated that additional residents would have preferred to attend the meeting, but were unable to come on a weekday afternoon or to travel 80 miles from Ponderosa. It was suggested, therefore, that a second meeting be held on a weekend at a location closer to the service area. Branch consequently noticed a second meeting at the Camp Nelson fire station (11 miles to the west and downhill from Ponderosa) on Saturday afternoon, April 22. Twenty-one customers attended this meeting. The problems of frozen water mains and frozen fire hydrants were raised again. Most of the customers expressed an understanding of the utility's need for a rate increase but believed that an increase of 100% was unreasonable. In addition to the Branch and utility management, a consulting civil engineer retained by the utility was present. The consultant offered several suggestions as to how to solve some of the problems of freezing mains.

The Commission has also received 16 letters from customers of the utility expressing concern over poor service or objecting to the rate increase.

After considering the utility's alleged noncompliance with previous Commission orders and the customer comments concerning service and the size of the rate increase, the Branch recommended on April 14, 1989 that the Commission file the advice-letter as a formal application. With a formal application, the Commission could consider all of the service improvements needed, the issue of expansion of the service area, and the level of any necessary rate increase. The Commission filed the advice letter as Application 89-04-032 on April 18, 1989.

Hearing

Formal evidentiary hearing was conducted before Administrative Law Judge (ALJ) Gilman in Camp Nelson. Several consumers attended the afternoon or the evening hearing. A Branch engineer testified in support of the Branch's report and recommendations.

The Branch report included an analysis of the utility's results of operations for a 1989 test year. The Branch found that certain expenses claimed were overstated while others, such as water testing costs, were understated. After these adjustments, Branch concluded, a 100% rate increase would produce a rate of return of 5.1% for the test year. The report recommended, therefore, that the Commission grant the utility's request.

Branch also recommended a solution to the problems created by the utility owner's decision that service in a new tract owned by him will be provided by a still-to-be-formed mutual water company, rather than by the utility.

The Branch report also made recommendations to deal with the interruptions of fire protection and domestic service caused by frozen and inoperative fire hydrants.

Applicant's owner testified concerning his plans for development in the nearby area and for future water supply, both for the utility and for the proposed mutual water company.

A representative of the homeowner's group cross-examined the utility's owner and made recommendations concerning improved service.

This matter was taken under submission on filing of the transcript on August 23, 1989. The ALJ's proposed decision was mailed on December 22, 1989. No comments have been received. An additional order is necessary to lift the restriction on expansion of D.81122 to accommodate applicant's plans to expand rather than permit service by a new mutual as discussed below. We have also found that there is enough water to remove these restrictions.

Regulatory History

The utility was originally certificated to serve water to an area known as Tract No. 391 by Decision (D.) 66304, dated November 12, 1963. The utility has since extended water service to three additional contiguous tracts, Nos. 404, 423, and 502. These four tracts comprise 281 lots.

In 1972, the Commission instituted an investigation on its own motion into the operations, rates, and facilities of the utility to determine if they were reasonable and adequate. Upon conclusion of the investigation and hearings, the Commission found (in D.81122 dated March 13, 1973) that the utility's water supply was adequate to serve only its present service area. The Commission ordered the utility not to extend service beyond the four tracts without the Commission's further authority.

In 1977, two utility customers filed formal complaints (Cases 10228 and 10234) alleging that they had no service to their homes on occasions in the winter due to the utility's frozen mains. In D.88335 dated January 17, 1978, the Commission found that the utility installed certain mains with inadequate cover to prevent freezing. The Commission ordered the utility to expeditiously eliminate service interruptions caused by freezing, by lowering mains, replacing mains, or re-routing mains. The Commission also

ordered the utility to take steps to repair non-operative valves and non-operative fire hydrants.

Service Area

The Ponderosa community is comprised of recreational and second homes, with a few residences occupied year round. There is also a lodge with a bar and limited food service. A ski area is planned for the vicinity. When the ski facility is opened, there will be substantial commercial development, more winter residents, full or part-time, and more demand for residential lots.

Winter weather is especially severe. Still air temperatures more than 15° below zero are not uncommon. There was at least one day when the recorded temperature was -25°. Consequently, water mains and customers' water service lines are likely to freeze and remain frozen until the spring thaw.

New Development

Recently, the owner of the utility who is also the land developer in the Ponderosa area, subdivided a new tract (No. 652) adjacent to the utility's present service area. The new development will add 41 building sites to the service area, which was also subdivided by the owner. The owner/developer plans to have a new mutual water company, rather than applicant, serve the tract. He has installed water mains, fire hydrants, a deep well, and a 200,000-gallon storage tank in the newly subdivided area. The well tests at 100 gallons per minute on a sustained basis.

He has connected the water mains in the new tract to the utility's mains. The interconnection is on Fox Drive at the boundary of Tract No. 423 and Tract No. 638, part of a undeveloped tract known as the Gabor property.

While grading the streets and home sites in the new tract, the utility donated water for earth compaction and dust control purposes. During this time, the developer/utility owner filled tank trucks from the utility's fire hydrants. Branch estimates that the developer used about 150,000 gallons of donated water in 1988.

Results of Operation

The tables below compare utility and Branch projections. The notes which follow the tables analyze the differences.

Results of Operation

Test Year 1989

Item	<u>Branch</u>		<u>Utility</u>		<u>Utility Exceeds Branch</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$12,861	\$25,722	\$12,051	\$24,102	\$ (810)	\$(1,620)
<u>Expenses</u>						
Oper. & Maint.	14,180	14,180	16,450	16,450	2,270	2,270
Admin. & Gen.	3,630	3,630	5,700	5,700	2,070	2,070
Taxes Other Than Income	708	708	2,750	2,750	2,042	2,042
Deprec. Exp.	2,672	2,672	2,661	2,661	(11)	(11)
Calif. Corp. Frn. Tax	600	600	-	-	(600)	(600)
Federal Income Tax	-	590	-	-	-	(590)
Total Exp.	21,790	22,380	27,561	27,561	5,771	5,181
Net Income	(8,929)	3,342	(15,510)	(3,459)	(6,581)	(6,801)
Rate Base	65,000	65,000	72,490	72,490	7,490	7,490
Rate of Return	Loss	5.1%	Loss	Loss	-	-

Revenue - The utility estimated revenue at present rates to be \$12,051 and at proposed rates to be \$24,102. Branch estimated revenue to be \$12,861 at present rates and \$25,722 at proposed rates. The utility based its estimate on 103 residential customers only. Branch included these customers in its estimate plus the additional revenue from a commercial customer, the Ponderosa Lodge. Branch's estimate is higher than the utility's by \$810 at present rates and \$1,620 at proposed rates. The Branch estimate is more accurate because it reflects the additional revenue from the lodge and five additional units, stores, and shops.

Expenses  
Test Year 1989

<u>Item</u>	<u>Branch</u>	<u>Utility</u>	<u>Utility Exceeds Branch</u>
<u>Operation &amp; Maintenance Expense</u>			
Power	\$4,010	\$3,800	\$(210)
Other Related Expenses	600	600	-
Employee Labor	3,000	3,000	-
Materials	2,440	2,500	60
Contract Work	3,190	2,750	(440)
Transportation Expense	940	1,800	860
Other Plant Maintenance	-	2,000	2,000
Total Oper. & Maint. Exp.	<u>\$14,180</u>	<u>\$16,450</u>	<u>\$2,270</u>

(Red Figure)

Power - The utility estimated its power cost to be \$3,800 for the test year 1989 by using the recorded 1988 data. Branch estimated \$4,010 using the same total energy use of 31,903 kilowatt-hours recorded in 1988 and applied the current Southern California Edison Company rate schedule which became effective on February 2, 1989. Branch's estimate is more accurate than the utility's because it reflects current electric energy rates. Branch found that the utility donated water to a developer. However, it did not adjust power expense because it estimated that winter main flushing will require a similar loss of water.

Materials - The utility estimated \$2,500 for materials expense by reviewing its past records. It included some non-utility costs in error. Branch estimated \$2,440 for test year 1989 by reviewing the records and identifying only the materials used in operation and maintenance of the water system. Three years of recorded materials expense averaged \$2,308 (1986 through 1988). Branch applied the May 1, 1989, nonlabor escalation factors prepared by the Advisory Branch of the Commission Advisory and Compliance Division to estimate test year 1989. Branch based its

estimate on a three-year average which is more representative of test-year expenses.

Contract Work - The utility estimated \$2,750 for contract work performed by outside contractors. Branch estimated \$3,190 for contract work based on a review of the utility's records. The Branch engineer found some of the contract work was for work in the utility owner's new subdivision. Branch used the average of three years of recorded data of \$1,180 (1986 through 1988) plus \$2,010 for water testing costs. The water testing costs reflect new testing requirements of the County of Tulare, Department of Health Services. The Branch estimate is more accurate because it includes actual work performed only for the utility and typical future water testing costs.

Transportation Expense - The utility based its annual estimate on a cost of \$150 per month. Branch found that David Robertson, who handles the utility's maintenance, travels 325 miles per month in utility-related work totaling 3,900 miles per year. At a cost of \$0.24 per mile, this mileage yields an annual expense of approximately \$940. The rate of \$0.24 per mile is appropriate since vehicle insurance and depreciation are allowed for in other expense accounts. Branch states that its estimate is comparable to allowances for similar water utilities.

Other Plant Maintenance - Branch estimated zero cost for the test year, since utility was unable to justify its estimate of \$2,000. Branch found that Robertson is the only one employed to maintain the water plant and operate the system. Since his salary is covered in the employee labor account, no allowance for his services should be allowed here.



## Test Year 1989

<u>Item</u>	<u>Branch</u>	<u>Utility</u>	<u>Utility Exceeds Branch</u>
<u>Administrative &amp; General Expenses</u>			
Office Salaries	\$ 600	\$ 600	\$ -
Management Salaries	-	-	-
Employee Pension & Benefits	-	-	-
Office Services & Rentals	940	1,200	260
Office Supplies & Expenses	250	250	-
Professional Services	700	1,200	500
Insurance	-	1,250	1,250
Regulatory Commission Expense	440	-	(440)
General Expense	100	600	(500)
Uncollectibles	100	600	500
Total Admin. & General Exp.	3,630	5,700	2,070
Total Oper. & Maint. Exp.	14,180	16,450	2,270
Total Operating Exp.	\$17,810	\$22,150	\$4,340

Office Services & Rentals - The utility arbitrarily estimated office services and rentals expense to be \$1,200. Branch estimated \$940 for test year 1989. The utility's owner, Donald G. Carter, owns the house in the service area used as the utility's office. Monthly rental rates for similar sized homes are about \$600 (\$7,200 per year). Branch estimated 13% of the area of the home is used for utility purposes, justifying an expense of \$940.

Professional Services - The utility based its estimate on an arbitrary figure for the test year. Branch based its estimate on, (a) actual accounting expense of \$600, and (b) estimated legal expense of \$100 for test year 1989.

Insurance - The utility estimated \$1,250 for test year 1989 for insurance expense. Branch estimated zero cost. The

utility does not have any insurance coverage and insurance expense is inappropriate for inclusion at this time.<sup>1</sup>

Regulatory Commission Expenses - The utility did not estimate regulatory expense for test year 1989. Branch estimated \$440 (\$1,320 amortized over three years). Branch allowed this sum in recognition of the conversion of the utility's advice letter to an application. Branch asserts that utility will have additional costs of representation at the hearings.

General Expenses - The utility estimated general expenses of \$600 for test year 1989. Branch estimated \$100 for the test year. The utility based its estimate on an arbitrary figure. Branch estimate reflects water association dues paid by the utility, the only item included in this account. We will adopt the Branch estimate.

Uncollectibles - The utility estimated \$600 for uncollectibles for the test year 1989. Branch estimated \$100. The utility's uncollectible estimate is about 2.3% of proposed revenues

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1 In a recent decision in A.88-03-068 we stated:

"We will require applicant to...obtain several...insurance quotes and coverage limits from Bakersfield and Los Angeles insurance carriers and to contact the California and National Water Associations to obtain names of recommended insurance carriers, and to obtain bids from the recommended carriers as well. Those associations are familiar with insurance problems of water utilities. CACD will promptly review those bids and applicant's proposal; advise the Commission of the results of its review; and, if necessary, assist applicant with an advice letter to...incorporate insurance costs in rates, primarily in service charge rates to recover that fixed expense. We will require submittal of proof of insurance in applicant's advice letter filing."

We will order applicant to obtain bids and purchase insurance in a similar manner.

and is high by comparison to other small water utilities in Tulare County. The utility had no records to substantiate its uncollectible experience, but stated that practically all customers pay their annual charges. We will adopt the Branch estimate.

Taxes Other Than Income - The utility estimated \$2,750 for taxes other than income. Branch estimated \$708 for test year 1989. The utility was unable to provide a basis for its estimate. The Branch's estimate reflects the utility's 1988-89 property tax bill paid to Tulare County.

Income Taxes - The utility estimated income taxes to be zero for test year 1989. Branch estimated income taxes to be \$1,190 based on current rates under the federal Tax Reform Act of 1986 and the corresponding state rates for 1989.

Item	Plant		Utility Exceeds Branch
	Branch	Utility	
Beginning of Year	\$120,957	\$120,957	\$ -
Plant Additions	6,000	5,000	(1,000)
End of Year	126,957	125,957	(1,000)
Avg. utility Plant	123,957	123,457	(500)

Beginning of Year Plant - The utility and Branch estimated \$120,957 for the beginning of year plant as of January 1, 1988. Branch estimated plant additions of \$6,000 for test year 1989. The utility estimated \$5,000. Branch's \$6,000 estimate is based on the a review of utility records of work performed during the year.

Item	Depreciation		Utility Exceeds Branch
	Test Year 1989 Branch	Utility	
Beginning of Year	\$58,128	\$52,806	(\$5,322)
Depreciation Expense	2,672	2,661	(11)
Retirements	-	-	-
End of Year	60,800	55,467	(5,333)
Avg. Accum. Depr.	59,460	54,136	(5,324)

BOY Depreciation - The utility estimated average accumulated depreciation to be \$55,467. Branch estimated it to be \$59,460 for test year 1989, using a composite rate of 2.2%. Branch estimate is higher than the utility's because the utility's value for end of year 1987 was in error.

Depreciation Expense - Branch estimated depreciation expense of \$2,672 for test year 1989. The utility estimated \$2,661. The difference is due to differences in the estimate of plant additions, which includes two production meters.

Item	Rate Base		Utility Exceeds Branch
	Test Year 1989 Branch	Utility	
Average Plant	\$123,960	\$123,457	\$(503)
Less Accum. Depreciation	59,450	55,467	(3,993)
Net Plant	64,510	67,990	3,480
Less: Contributions	-	-	-
Advances	-	-	-
Plus:			
Working Cash	-	2,000	2,000
Materials & Supplies	500	2,500	2,000
Average Rate Base	65,000	72,490	7,490

The notes to the previous table describe the development of average utility plant in service and average accumulated depreciation. The differences in estimates of other rate base components between Branch and the utility are discussed below.

Working Cash - Branch estimated zero working cash allowance. The utility estimated \$2,000 for test year 1989.

Branch's estimate is developed using the simplified working-cash-allowance procedure approved by the Commission on January 27, 1989.

Materials & Supplies - The utility estimated materials and supplies expenses to be \$2,500 for test year 1989. Branch estimated it to be \$500 for the test year. The utility was unable to support its estimate. Branch engineer made a physical inventory of the utility's materials and supplies on hand and valued it at \$500.

Even with all the adjustments proposed by Branch, applicant's proposed rates would produce only a 5.1% rate of return, which is less than the 10.50% to 11.00% standard rate of return recommended by the Commission Advisory and Compliance Division for small, 100% equity-financed water utilities.

Branch therefore recommended that the increase be granted in full. Branch noted consumer arguments that the utility should not be granted the full 100% increase at once. It referred, however, to the Commission's established policy which sets 100% at the largest increase which can be granted in a single year.

Analysis/Action

We have adopted all of the Branch adjustments to applicant's estimates. Since both adjusted and unadjusted estimates indicate that the proposed increase produces less than a fair rate of return, we will grant the increase. A 100% increase is the maximum normally permitted in a single year. We will therefore not phase in the increase as proposed by consumers. We have considered that applicant has not rendered adequate service and has not complied with Commission orders. On the other hand, it is apparent that it has operated for some time at a loss. Furthermore, it will operate in the future without an adequate return, and without any form of automatic rate indexing. On balance, we conclude that it is fair to both utility and consumers to allow all of the increase to become effective at the same time.

Expansion of the Service Area

Branch considers that the utility, by permitting a connection to the proposed mutual water company system, has extended service outside its authorized service territory in violation of D.81122.

In D.81122 the Commission found that the utility had sufficient water and facilities for 284 services but no more. In order to lift this restriction, the Commission stated that the utility must:

- a. Establish an accurate water-use-per-customer requirement and provide an estimate of future system demand.
- b. Develop additional plant and proven production facilities.
- c. Provide adequate storage for maximum water use.
- d. Determine that the annual yield of the water basin is sufficient to adequately serve the present certificated as well as any requested area.

The utility has not met these requirements for service area extension. Branch concludes that by establishing the physical possibility of sales for resale, the utility and its owner have violated the order. It asserts that "[t]he existing interconnection defeats the purpose of the Commission's order."

Branch is also concerned that an unsupervised connection could allow water to flow by gravity from the utility's wells and storage tanks to the new system which is at a lower elevation. It believes that this factor could create occasional outages for utility customers. It recognizes, however, that the mutual's system could serve as an supplemental source of supply for the utility, if the pressure is maintained at a high enough level. (The mutual's 100 gpm well is the best of all the wells in the vicinity.) Nevertheless, Branch feels that the mutual cannot be

relied upon to maintain the needed pressure differential. It points out that the connection could drain utility tanks in the event of a unnoticed line breakage or pump failure anywhere in the mutual system.

Branch's recommended solution is to physically abolish the interconnection. This will, in its view, eliminate the violation. Once the violation is removed, Branch believes there is no further occasion for Commission action. It argues that existing utility customers will have enough water and will be protected from possible service outages caused by problems on the other system. The proposed mutual company's customers will be unharmed by the disconnection. They will have adequate service provided by their own 200,000-gallon storage tank, well, booster pump, and 2,000-gallon pressure tank.

Utility and its owner have not defended themselves against the charge that there has been a violation of the Commission's order. Both the utility and its contractor, however, oppose disconnection. Instead, they propose an engineering solution which would retain the connection but would prevent the utility supplies from draining into the mutual system. The utility and its contractor both emphasize that an in-place connection could be useful for fighting wild fires.

Analysis

We have determined that a connection to an additional source of supply and storage capacity is of potential value to the utility customers and should not be severed. It does appear that there are alternative, less drastic methods to prevent accidental loss of water stored in utility's system.

Since submission, applicant has abandoned his plans to start a mutual; applicant has instead filed an advice letter to serve the new market. This outcome is in the public interest and we commend the applicant.

Freeze-ups

The most severe service problem affecting customers of the utility is the freezing of the mains in the winter time. This problem inconveniences relatively few customers, but it has persisted for many years. Fire hydrants have also been inoperative due to freezing.

With the assistance of utility personnel and several customers, the Branch engineer prepared a list of locations where freezing conditions have existed in the past. At some of these locations, the utility has made repairs to damage caused by freezing or has lowered some mains to prevent refreezing. Branch recommends that the utility should inspect the listed locations to insure that the mains have ample cover for the Ponderosa climate.

The utility has retained a consulting civil engineer from Porterville who is familiar with the problems of water systems in cold, mountainous areas. He has recommended minimum depth for cover of mains and a schedule for flushing the fire hydrants at the ends of dead-end lines. The frequency of flushing depends on the severity of freezing weather. Branch recommends that the flushing schedule should be adopted as the first step in providing reliable winter service. It expects the utility to examine this winter's experience to determine what, if any, additional main reconstruction is necessary. Branch has allowed \$6,000 in its rate base estimate for such reconstruction.

Action

We have adopted the Branch's recommendation. Because customers are dissatisfied with the company's past performance in following through on plans for more reliable winter service, we will monitor its activities over the 1989-90 winter.

Customers want a more reliable system for contacting applicant or its contractor when there are service outages.

We have not, however, ordered applicant to adopt any means of providing better notice of and response to outages. While



we have found that the present system is not satisfactory, none of the parties has suggested improvements which are practical and specific enough for an order. The winter season should provide a test of any system applicant uses to offer improved communications. Pending analysis of the winter test, we will suspend the ordering paragraphs of D. 88335.<sup>2</sup>

Other Service Questions

The Branch conducted a field inspection of the utility's service area and water plant facilities and checked the visible

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2 The ordering paragraphs state:

\*IT IS ORDERED that:

- \*1. Rosella Water Company (defendant) shall submit two copies of the recommendations of a consultant engineer to implement the improvements described in Finding 4 within thirty days after the effective date of this order. One of these copies shall be directed to the Hydraulic Branch of the Commission's Utilities Division for staff review and approval of the suggested design and specifications.
- \*2. Defendant shall install the recommended facilities within sixty days after staff approval of the recommended design and specifications.
- \*3. Defendant shall file two copies of a report with the Commission, describing the equipment and personnel it will make available to implement Finding 5 and to eliminate nonoperative valves and nonoperative fire hydrants, within thirty days after the effective date of this order. One of these copies shall be directed to the Hydraulic Branch of the Commission's Utilities Division.
- \*4. Defendant shall notify the Commission, in writing, within five days after the new facilities are placed in service. . . ."

portions of the system. This inspection showed that spring and summer service is satisfactory and that water pressures met the requirements of General Order (GO) 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction."

The Branch also contacted the County of Tulare, Department of Health Services which advised that the utility's water presently meets all state quality standards.

The utility's four wells now supply all the water needs of its existing customers. The utility reports that the level in the wells has remained constant over the past two years despite California's current drought. The supply of water therefore appears adequate. Although the utility has no plans to meter its customers, the Branch recommended that the utility amend its tariff Schedule No. 2A, Annual Flat Rate Service, to clarify its authority to do so. The utility needs no other conservation measures.

It was noted, however, that two wells had production meters and two did not. GO 103 requires production meters on all sources of supply to record the quantity of water produced. Branch recommended that the utility should install suitable measuring devices as soon as practicable.

It was also noted that the utility failed to maintain records showing the quantity of water produced from the wells which have meters. Branch recommended that the utility should record this data at least once per month and report it to the Commission in its annual report as required by GO 103.

In reviewing records and accounts for its report, Branch noted that applicant was not following the Uniform System of Accounts for Class B, C, and D Water Utilities prescribed by the Commission. Branch recommended that applicant utility should instruct its accountant to adhere to this uniform system.

Section VIII of GO 96-A requires that each utility shall maintain, open for public inspection, a copy of its tariff schedules and shall post a notice in its public office stating that

persons may inspect the tariffs. Branch personnel spoke with customers who believed having access to this information would be useful in resolving informal complaints. Branch recommended that utility, should post such a notice in its Ponderosa office.

Action

We have adopted the Branch recommendations and incorporated them in our order.

Findings of Fact

1. The increase in annual revenue authorized by this decision is \$12,861; the return on rate base is 5.1%.
2. Applicant's existing rates will be for the future, unjust and unreasonable. The increases in rates and charges authorized by this decision are justified and are just and reasonable.
3. Applicant should be required to comply with the Branch-proposed flushing cycle in freezing weather.
4. We should wait until after this winter to determine whether such compliance will reasonably protect against frozen mains.
5. This proceeding should remain open for the purpose of determining whether and which construction projects are necessary for further protection against frozen mains. The provisions of D.88335 should be suspended.
6. The connection to the systems serving Tract 652 is of potential use to customers for back-up supply and for use against wildfires. It should not be severed.
7. The public interest requires that applicant have insurance.
8. Applicant should be ordered to take reasonable steps to prevent accidental drainage. Until the new system begins serving customers, a locked manual valve is acceptable. This proceeding should remain open to determine if an automatic device is necessary when the new system begins service.

9. Applicant has permitted the use of free water for non-utility construction in grading roads for new developments.

10. Applicant's tariff lacks a rate for such uses.

11. Applicant's tariff does not provide for meter rates for water wasters.

12. Applicant does not follow the Uniform System of Accounts.

13. Applicant has not posted a notice concerning access to its tariff.

14. Applicant has not metered two of its wells. It does not record and report production from the two wells which are metered.

15. The new well in what was to be the mutual service area provides enough water to serve that area. Applicant should be permitted to expand.

#### Conclusions of Law

1. Applicant should be authorized to establish the proposed rates.

2. The Commission's policy is not to defer any portion of small water utility rate increases which are needed to meet costs of service unless they exceed 100%.

3. Applicant should not be ordered to complete additional construction designed to prevent freezing until it is possible to determine if the drainage schedule by itself will effectively prevent freeze-ups. Applicant should be ordered to follow the flushing schedule.

4. Applicant should be ordered to correct the deficiencies specified in Findings 8 through 13.

5. Applicant should be required to obtain insurance and authorized offset rate relief to cover costs.

6. This proceeding should remain open for the purposes specified in the findings.

INTERIM ORDER

IT IS ORDERED that:

1. Rosella Water Company (applicant) shall file the revised rate schedules in Appendix A in compliance with General Order (GO) Series 96 after the effective date of this order. The revised schedules shall apply only to service rendered on and after their effective date, which shall be 5 days after filing.

2. Applicant shall file a revised service area map, appropriate general rules, and sample copies of printed forms used for customer service in compliance with GO Series 96 within 45 days after the effective date of this order. The tariffs shall become effective 5 days after filing.

3. Applicant shall prepare, keep current, and file with the Commission two copies of the system map required by GO Series 103 within 90 days after the effective date of this order.

4. Applicant shall follow the schedule shown in Appendix A for flushing dead-end mains during freezing weather.

5. Applicant shall install suitable measuring devices at each source of supply; it shall record the quantity of water produced at least monthly and report the totals to the Commission in its annual report.

6. Applicant shall follow the Uniform System of Accounts for Class B, C, and D water utilities prescribed by the Commission.

7. Applicant shall post a notice in its office in Ponderosa that its tariffs are available and open to public inspection.

8. For establishing rates, the Commission has adopted the summary of earnings for test year 1989 developed by the Water Utilities Branch.

9. Applicant shall obtain bids for liability insurance. It shall purchase a policy satisfactory to the Director of CACD. It may file for offset rate relief.

10. This proceeding shall remain open to consider measures to be taken in response to the plans of applicant to allow a mutual to serve Tract 652, to consider what further measures are needed to maintain reasonable system reliability in freezing weather, and to consider the relationship between Donald G. Carter, applicant and the utility.

11. The restrictions of D.81122 are revoked insofar as necessary to permit applicant to render the service proposed in Advice Letter 14-A.

This order is effective today.

Dated JAN 24 1990, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

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

*Wesley Franklin*

WESLEY FRANKLIN, Acting Executive Director

*NB*

APPENDIX A

Winter Flushing Schedule

When temperatures persist below 32 degrees Fahrenheit, Rosella Water Company personnel should constantly release water through a 3/8-inch minimum size valve at the termination of all dead-end lines.

As an alternative, Rosella Water Company personnel should flush fire hydrants at the termination of all dead-end runs on the following schedule:

1. With temperatures between 20 and 32 degrees F.: At least every two weeks.
2. With temperatures between 10 and 20 degrees F.: At least every week
3. With temperatures below 10 degrees F.:  
Daily

(END OF APPENDIX A)