

Decision 82 01-16 January 5, 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of POINT ARENA
WATER COMPANY to increase
water rates by approximately
75 percent.

Application 60717
(Filed July 8, 1981)

Reginald Knaggs and William Hay, Jr., for
Delia and William Hay, applicants.
Robert L. Reynolds, Attorney at Law,
interested party.
Robert H. Bennett, for the Commission staff.

O P I N I O N

This is an application by Delia Hay and William Hay, doing business as Point Arena Water Works, which seeks an increase in rates for water service and loan repayment surcharge.

A duly noticed public hearing was held in this proceeding before Administrative Law Judge Donald E. Jarvis in Point Arena on August 20, 1981. The matter was submitted subject to a late-filed exhibit, which was received on August 27, 1981.

Summary of Decision

This decision authorizes an increase in rates to yield additional revenues of \$14,580 and a return on rate base of 3.83%. The bill of an average customer who uses the 500 cubic feet of water per month will increase 56.3%.

Facts

Applicants' water system serves two contiguous zones. It has four storage tanks with a total capacity of 580,000 gallons. There are approximately 160 service connections. The distribution system consists of approximately 24,000 feet of mains varying in

size from 1 to 6 inches in diameter. Twenty-two city-owned fire hydrants are also connected to the system.

Applicants also operate a noncontiguous distribution system known as Whiskey Shoals, which is south of the City of Point Arena and adjacent to Highway No. 1. The developers of Whiskey Shoals donated the plant to applicants. It is not included in rate base. Expenses relating to Whiskey Shoals are not included in this proceeding.

This proceeding originated as an advice letter filing seeking ex parte relief. Because of the number of customer protests and the magnitude of the requested increase in rates, it was calendared for public hearing.

Applicants' present and proposed rates are as follows:

Metered Service

		<u>Per Meter or Service Per Month</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
Monthly Quantity Rates:			
First 400 cu.ft., per 100 cu.ft.		\$ 0.74	\$ -
Over 400 cu.ft., per 100 cu.ft.		1.65	-
First 300 cu.ft., per 100 cu.ft.		-	1.55
Over 300 cu.ft., per 100 cu.ft.		-	2.32
Service Charge:			
For 5/8 x 3/4-inch meter	.....	6.00	9.50
For 3/4-inch meter	.....	6.60	12.00
For 1-inch meter	.....	9.00	15.00
For 1-1/2-inch meter	.....	12.00	21.00
For 2-inch meter	.....	16.20	28.00
		<u>Per Meter Per Month</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
Loan Repayment Surcharge:			
For 5/8 x 3/4-inch meter	.....	4.71	5.15
For 3/4-inch meter	.....	7.07	7.75
For 1-inch meter	.....	11.77	12.75
For 1-1/2-inch meter	.....	23.55	25.75
For 2-inch meter	.....	37.68	41.00

Applicants did not have sufficient water to serve all their customers. On March 7, 1978, the Commission authorized applicants to execute a \$150,000 loan with the United States Small Business Administration for the purpose of drilling an additional well and constructing a pipeline to bring additional water to the system.

Material Issue

The material issue presented in this proceeding is whether applicants are entitled to an increase in rates.

Discussion

Much of the controversy surrounding the application disappeared in the course of the hearing.

Applicants introduced in evidence a letter from the Mendocino County Health Officer which states in part that: "We are very pleased at the improvements made on the Point Arena Water Works #1 system. The system now has adequate production and storage capabilities..."

It is uncontroverted that applicant is operating at a loss under its present rates. ✓

The Commission staff (staff) took the position that the proposed rates and rate of return were not unreasonable. Five members of the public made sworn statements at the hearing. One person indicated that the average income in Point Arena was very low. Others raised specific questions about applicants' operations which were referred to applicants or the staff for appropriate responses.

The difference between applicants and the staff with respect to the results of operations for the test year 1981 are minor. They are as follows:

Summary of Earnings

	<u>Utility</u>		<u>Hydraulic Branch</u>	
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Operating Revenues	\$ 21,440	\$37,340	\$ 23,230	\$37,810
<u>Deductions</u>				
Operating Expenses	26,220	26,220	27,020	27,020
Depreciation Expense	5,600	5,600	5,500	5,500
Taxes Other Than Income	2,860	2,860	2,050	2,050
Income Taxes	-	-	-	170
Total Deductions	34,680	34,680	34,570	34,740
Net Revenue	(13,240)	2,660	(11,340)	3,070
Average Depr. Rate Base	80,210	80,210	80,200	80,200
Rate of Return	Loss	3.32%	Loss	3.83%

(Red Figure)

The staff estimates which are based upon more recent information are reasonable and should be adopted.

The staff and County Health Officer made some recommendations for improving the system. As indicated, applicants are operating at a loss. William Hay, Jr., the system manager, testified that the improvements would be made if the increase in rates was authorized. In view of the action taken in the ensuing order, the Commission will require that the improvements be made.

The following order provides for the revision of applicants' rate structure to conform to Commission policy, which incorporates the principle of lifeline rates for water, encourages conservation, and calls for a 'Model' rate structure with the following characteristics:

- A. A service charge as contrasted to a minimum charge.
- B. A lifeline allowance of 300 cubic feet per month. Rates for lifeline usage are usually not increased until the system average rates have been increased 25% above the rates in effect on January 1, 1976.
- C. A second block inverted rate which is not more than 50% higher than the first block rate.

The staff report indicates that the yearly surcharge revenues are approximately equal to the amount necessary to amortize the SBA loan; therefore, the staff recommended that the surcharge not be increased.

No other points require discussion.

Findings of Fact

1. Applicants' water system serves two contiguous zones. It has four storage tanks with a total capacity of 520,000 gallons. There are approximately 160 service connections. The distribution system consists of approximately 24,000 feet of mains varying in size from 1 to 6 inches in diameter. Twenty-two city-owned fire hydrants are also connected to the system.

Applicants also operate a noncontiguous distribution system known as Whiskey Shoals, which is south of the City of Point Arena and adjacent to Highway No. 1. The developer of Whiskey Shoals donated this land to applicants. It is not included in rate base. Expenses relating to Whiskey Shoals are not included in this proceeding.

2. The sum of \$37,810 is a reasonable estimate of applicants' total operating revenues for the test year 1981 at authorized rates.

3. The sum of \$27,020 is a reasonable estimate of applicants' total operating expenses for the test year 1981. . .

4. The sum of \$5,500 is a reasonable estimate of applicants' depreciation for the test year 1981.

5. The sum of \$2,050 is a reasonable estimate of applicants' taxes, other than income, for the test year 1981.

6. The sum of \$170 is a reasonable estimate of applicants' income taxes for the test year 1981.

7. The sum of \$80,200 is a reasonable estimate of applicants' average depreciated rate base for the test year 1981.

8. A return on rate base of 3.83% is reasonable.

9. The increases in rates and charges authorized by this decision are justified and are reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

10. The total amount of increase in annual revenue authorized by this decision is \$14,580 and the rate of return on rate base is 3.83%. No increase in the present SBA loan surcharge is authorized as the present surcharge generates sufficient revenues to amortize that loan.

11. It is reasonable to require applicants to provide a better enclosure around the McMillin well pump and repair the leakage around the top and bottom of its redwood storage tank.

Conclusions of Law

1. The following results of operations should be adopted for the test year 1981 and used in establishing the rates authorized:

Operating Revenues	\$37,810
<u>Deductions</u>	
Operating Expenses	27,020
Depreciation Expense	5,500
Taxes Other Than Income	2,050
Income Taxes	170
Total Deductions	34,740
Net Revenue	3,070
Average Depr. Rate Base	80,200
Rate of Return	3.83%

2. The application should be granted. Applicants should be authorized to file the revised water rates set forth in Appendix A which are designed to yield \$14,580 in additional revenues based on the adopted results of operations for the test year 1981.

3. Applicants should be ordered to provide a better enclosure around the McMillin well pump and repair the top and bottom of its redwood storage tank.

4. Since applicants are operating at a loss the order should be made effective on the date of signing.

O R D E R

IT IS ORDERED that Delia Hay and William Hay shall:

1. File the revised rate schedule in Appendix A in compliance with General Order 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. File a revised service area map, appropriate general rules, and sample copies of printed forms used for customer service in compliance with General Order Series 96 within 45 days after the effective date of this order. The tariffs shall become effective 5 days after filing.
3. Prepare, keep current, and file with the Commission two copies of the system map required by General Order Series 103 within 90 days after the effective date of this order.

4. Within 180 days after the effective date of this order, applicants shall provide a better enclosure around the McMillin well pump and repair the top and bottom of its redwood storage tank.

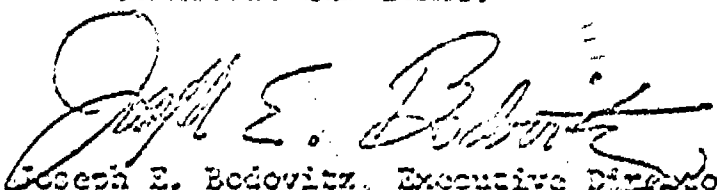
This order is effective today.

Dated JAN 5 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

Commissioner Leonard M. Grimes, Jr.,
being necessarily absent, did not
participate.

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


Joseph E. Bodovitz, Executive Director

A.60717 /ALJ/rb

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

The City of Point Arena and vicinity, Mendocino County.

RATES

	Per Meter		
	Per Month		
Quantity Rates:			
First 300 cu.ft., per 100 cu.ft.	\$ 1.55	(I)	(C)
Over 300 cu.ft., per 100 cu.ft.	2.32	(I)	(C)
Service Charge:			
For 5/8 x 3/4-inch meter	\$ 9.50	(I)	
For 3/4-inch meter	12.00	|	
For 1-inch meter	15.00	|	
For 1 1/2-inch meter	21.00	|	
For 2-inch meter	28.00	(I)	

The Service Charge is applicable to all 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.

SPECIAL CONDITION

In addition to the above rates and charges rendered to all bills under this schedule, a surcharge will be added as set forth in Schedule No. 1-X, General Metered Service Surcharge.