

Decision S2 03 023 AUG 18 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Hillview Water)
 Co., Inc., Oakhurst, California,) Application 61148
 for an emergency interim rate) (Filed December 23, 1981)
 increase of about 134%.)

Richard L. McMechon, Attorney at Law, and
Roger L. Forrester, for Hillview
 Water Company, Inc., applicant.
Joseph C. Gasperetti, Attorney at Law, for
 Sierra Organization of Citizen Committees
 on Water, and Larry Huggins, for himself
 and Concerned Utility Users of Hillview,
 protestants.
William J. Jennings, Attorney at Law, for
 the Commission staff.

FINAL OPINION

Hillview Water Company, Inc. (Hillview) applies for a general rate increase which would increase annual revenues for its six districts by 245% or approximately \$155,750.

In response to this application, Hillview was granted an interim emergency rate increase of 35% or \$36,055 subject to refund (Decision (D.) 82-01-105, January 21, 1982).

Protective measures were found to be reasonable in D.82-01-105. First, the increased revenues were to be deposited with Hillview's fiscal agent, Golden Oak Bank of Oakhurst (Golden Oak) and used only to retire past-due obligations or to retire new indebtedness incurred to pay past-due obligations. Second, staff was directed to study and report its recommendations on whether the Commission should issue an order to show cause in re contempt directed at Hillview with respect to any misappropriation of funds by Hillview officers, violations of past Commission decisions, and Hillview's threat to discontinue service if rate relief was not granted as requested.

On April 21, 1982, by Commission Resolution W-2975, Hillview was authorized an offset rate increase producing \$13,300 or 9.6% additional annual revenue by reason of increased power costs. The Resolution states that the money collected by the utility under this increase should be earmarked for payment of its power bills.

A duly noticed hearing was held before Administrative Law Judge (ALJ) Orville I. Wright in San Francisco on June 3 and 4, 1982 and the matter was submitted on receipt of the transcript.

Testimony was given by Roger Forrester on behalf of Hillview. Barbara Cross, manager of the Safe Drinking Water Program of the California Department of Water Resources, testified at the request of the Sierra Organization of Citizen Committees on Water (SOCCOW). Richard Tom and Mark K. Bumgardner testified for the Commission staff. Larry Huggins gave evidence in his own behalf.

SOCCOW presented a petition dated May 25, 1982, signed by 118 customers in Hillview's service territory, objecting to the rate hearing being held in San Francisco rather than in Oakhurst. The petition further objects to any rate increase being granted until a full review of the system's operating efficiency is conducted.

A further petition by SOCCOW requests deferment of any rate decision until resolution of Case (C.) 10937, SOCCOW v Hillview, which was heard concurrently with Hillview's rate application. This petition also asks for a public hearing on any change in the ownership of Hillview.

At the close of hearings on a consolidated record for A.61148 and C.10937, it was ruled that the complaint case would be submitted 120 days from June 4, 1982, 90 days being allowed to SOCCOW to brief the issues and 30 days thereafter for Hillview to respond.

Summary of Decision

In this final order, Hillview is granted a rate increase of \$76,120 per annum over 1981 rates. By interim order, Hillview received a \$36,055 increase in January 1982, and, by resolution, Hillview received \$13,300 in April 1982 to offset increase power costs. Thus, this final order will increase existing rates by \$26,766.

Hillview had requested a 245% increase in revenues. The three increases granted, including that authorized by this decision, equate to 71%.

Three of the districts in this six-district system are consolidated, and staff-recommended improvements are ordered to be made.

Tables I and II show the items at issue between the parties and our resolution of the issues.

TABLE I

Hillview Water Company
All Districts
Summary of Earnings

<u>Item</u>	<u>1981 Rates</u>		<u>Applicant Exceeds Branch</u>	<u>Adopted</u>
	<u>Applicant</u>	<u>Branch</u>		
Operating Revenue	\$106,530	\$106,530	\$ -	\$182,651
<u>Operating Expenses</u>				
Purchased Power	37,060	27,970	9,090	27,970
Oper. & Maint. Labor	33,600	20,480	13,120	22,200
Office & Mgmt. Payroll	40,800	14,630	26,170	24,000
Other Oper. & Maint.	66,373	37,000	29,373	45,279
Depreciation	12,840	12,840	-	12,840
Property Taxes	1,380	1,380	-	1,380
Taxes Other Than Income	5,856	3,170	2,686	4,665
Subtotal	197,909	117,470	80,439	138,334
Taxes on Income	<u>200</u>	<u>200</u>	<u>-</u>	<u>11,613</u>
Total Operating Expenses	198,109	117,670	80,439	149,947
Net Operating Revenue	(91,597)	(11,140)	-	32,704
Depreciated Rate Base	298,122	278,330	19,792	278,330
Rate of Return	Loss	Loss	-	11.75%

(Red Figure)

TABLE II

Hillview Water Company
All Districts
Other Operating and Maintenance Expenses

<u>Item</u>	<u>1981 Rates</u>		<u>Applicant</u>	<u>Adopted</u>
	<u>Applicant</u>	<u>Branch</u>	<u>Exceeds</u> <u>Branch</u>	
Source of Supply	\$ 2,100	\$ 2,100	\$ -	\$ 2,100
Oper. & Maint. Materials	9,648	4,600	5,048	4,600
Oper. & Maint. Contracts	6,765	6,690	75	6,765
Office Supplies & Exp.	12,091	2,750	9,341	8,468
Insurance	10,558	5,750	4,808	5,750
Accounting - Legal	2,560	2,590	(30)	2,590
General Expense	-	600	(600)	600
Vehicle Expense	18,991	9,270	9,721	10,746
Office & Storage Rent	<u>3,660</u>	<u>2,650</u>	<u>1,010</u>	<u>3,660</u>
Total	66,373	37,000	29,373	45,279

(Red Figure)

Operating Revenue

There is no dispute between the parties as to operating revenue which will be derived from 1981 rates and from the two increases granted to Hillview in 1982.

Additional gross revenue requirement is computed as follows:

New gross revenue requirement		\$182,651
Existing gross revenues from:		
1981 rates	\$106,530	
D.82-01-105	36,055	
Res. W-2975	13,300	
		<u>155,885</u>
Additional gross revenue required		\$ 26,766

Purchased Power

Staff estimated power costs at the rates in effect as of May 4, 1982. An adjustment was made for inefficient pumps.

Hillview provided yearly power consumption figures for each of its systems and applied a rate of 0.09818¢/kWh.

It is clear that staff's adjustment for inefficient pumps is correct. Hillview recognizes this fact in its presentation of proposed capital expenditures. We cannot compensate utilities for higher power costs incurred by reason of the company's failure to maintain its pumps at approved levels of performance. This additional cost must be borne by the owners of Hillview.

We adopt the staff estimate of purchased power.

Operating and Maintenance Labor/Office
And Management Payroll

Staff has included \$35,110 for all payroll based upon its view that \$66.50 per customer per year is appropriate for Hillview. Staff testifies that \$5 per customer or \$60 per year is the highest allowance which is normally provided for a water company; an additional 10% was allowed because of Hillview's widespread operations. Staff's method in allocating payroll between field and office is not explained.

Hillview's estimate for operating and maintenance labor is \$33,600 for 1982. There are two maintenance employees of Hillview; one is paid \$12,000 per year and the second is paid \$10,200 per year (\$850 per month). Casual labor costs for 1981 were \$4,193. Hillview proposes to raise these salaries to \$19,200 and \$14,400, respectively.

Hillview's estimate for office and management salaries for 1982 is \$35,850. Judi and Roger Forrester testified that they each devote full time to operations of the company. They each draw \$1,000 per month, and they believe that salaries of \$16,800 and \$24,000 for Judi and Roger, respectively, should be allowed.

We think actual wages paid is most appropriate for operational and maintenance employees. These wages, in fact, are close to staff's estimate of \$20,480. And, in the near term, it seems reasonable that both Judi and Roger Forrester, themselves employees, should be allowed the \$1,000 per month Hillview seeks to compensate them.

Other Operating and Maintenance Expenses

Source of Supply

Staff proposes that Hillview's cost of \$6,300 for a dry well be amortized over 3 years. Hillview suggests a 5-year amortization period. We adopt staff's recommendation.

Operating and Maintenance Materials

Operating and maintenance material was estimated by the staff at \$4,600 based on the average cost per customer over the last five years, the 1977 audit, 1978 and 1979 annual reports, the 1980 staff report, and 1981 recorded costs as adjusted by the Financial Analysis Group of the Revenue Requirements Division.

Hillview's estimate is derived by applying an inflation factor to actual 1981 costs.

It is clear from the record, however, that 1981 is not a normal year reflective of future costs for operating and maintenance materials. We adopt staff's estimate as the more accurate projection.

Operation and Maintenance Contracts

Staff's estimate is based on the 1980 Branch report adjusted for inflation.

Hillview's estimate is actual 1981 costs plus 8.5% for inflation.

We adopt Hillview's estimate. The parties are \$75 apart.

Office Supplies and Expense

Postage and billing costs are estimated by staff by using 528 as the average number of customers to derive about 6,300 as the total number of bills for the year. This number is increased by 200 to cover other mailings. Postage is taken at 20¢, and 10¢ is added for the cost of envelopes and bills.

Hillview testifies that actual billing postage for the first 3 months of 1982 is \$296 for an average of \$100 per month which we adopt as reasonable.

Other postage averages \$30 per month according to Hillview. Given the number of mailings entailed by the complaint action against Hillview, its application for additional loans from the State of California, its application for change of ownership, and other ongoing activities of interest to its customers, we think Hillview's estimate is the more reasonable.

Hillview estimates a cost per bill of 55¢ as opposed to staff's 10¢. The record is silent on what items are included in Hillview's estimate. Therefore, we will adopt staff's materials estimate as the more reasonable.

Hillview's estimate of the costs of its telephone, telephone answering service, office heating, and electricity for lighting and cooling are based upon actual costs for the first quarter of 1982 and appear to be reasonable. Staff makes no comment on these costs.

Hillview includes \$779 copying expense for the year. Staff does not comment. Again, the many ongoing activities of Hillview to upgrade its system and our concern that Hillview keep its customers informed persuades us to approve copying costs in this proceeding.

Hillview rents or maintains one calculator and one typewriter at a cost of \$521 per year based upon first quarter 1982 experience. It also is complying with our directives to reconstruct its accounting system to job order and double entry with adequate controls. A computer is being used at an actual cost of \$15 per hour for 11.34 hours per month, based upon first quarter 1982 experience. We find these costs to be reasonable.

Hillview and staff both estimate general accounting supplies at \$600 for the year. We extract this item from office supplies and include it in general expense as the staff recommends.

Because we have adopted Hillview's more detailed categorization of office expenses, we exclude the \$300 staff estimate for miscellaneous office expenses.

Table III summarizes office supplies and expense.

TABLE III

Hillview Water Company
 All Districts
Office Supplies & Expenses

<u>Item</u>	<u>1981 Rates</u>		<u>Applicant</u>	<u>Exceeds</u>	<u>Adopted</u>
	<u>Applicant</u>	<u>Branch</u>	<u>Branch</u>	<u>Branch</u>	
Postage - Bills	\$ 1,196	\$1,260	\$ (64)	\$1,200	
Postage - Other	360	40	320	360	
Billing Costs	3,677	650	3,027	650	
Answering Service	615	-	615	615	
Telephone	1,777	500	1,277	1,777	
Heating	120	-	120	120	
Electricity	405	-	405	405	
Office Equipment	521	-	521	521	
Copying & Printing	779	-	779	779	
General Acctg. Supplies	600	-	600	-	
Computer	2,041	-	2,041	2,041	
Misc.	-	300	(300)	-	
Total	12,091	2,750	9,341	8,468	

(Red Figure)

Insurance

Staff used actual 1981 insurance cost for the utility and its vehicles in making its estimate of 1982 expense of \$5,750.

Hillview includes additional proposed expense for life and health insurance for its employees.

We adopt the staff's estimate.

Accounting - Legal

Staff's estimate is based upon the 1980 Branch report adjusted for inflation.

Hillview includes \$1,280 for legal fees and \$1,280 for engineering or surveying fees. It also earnestly contends that its actual \$21,514 in fees for professional services in 1981 should be recouped through rates.

It is clear that this utility suffers from a variety of legal ills for which the cost of cure is substantial. However, costs of litigation involved in resisting collection efforts by its creditors and costs of work done primarily for shareholders' benefit are not to be passed on to the ratepayers. ✓

On the other hand, costs of this rate proceeding, contract supervision vis-a-vis the Department of Water Resources, and ongoing Commission proceedings instituted for the benefit of its customers through better facilities and service may reasonably be included in rates.

We accordingly adopt the staff estimate of \$2,590 as a reasonable allowance for legal and accounting expenses comprised of the following: rate case expense of \$3,600 to be amortized over 3 years; \$1,390 for ongoing professional fees of attorneys, engineers, and accountants for 1982.

Vehicle Expense

Staff's estimate of vehicle expense is based upon 1980 estimated miles of 40,364, a gallon cost of \$1.20 for gasoline, and an average of 12 miles per gallon. Gasoline cost is thus 10¢ per mile or \$4,036 for the year. \$5,234 is staff's estimate for oil and service, and maintenance and repair of 2 vehicles. Total vehicle expense equates to 23¢ per mile.

Hillview's evidence is that 1981 mileage for both its vehicles is 46,724. However, it is unclear how Hillview arrives at its estimate of \$18,991 for the year. We accordingly adopt Hillview's miles and staff's cost-per-mile (46,724 x \$.23) for a total of \$10,746.

Office and Storage Rental

The staff estimate is intended to be actual cost for office rental and \$1,200 allowance for storage rental. However, Hillview changed offices since the staff report. Present office rent is \$275 per month and present storage cost is \$30 per month. We adopt the total of these costs - \$3,660.

Taxes Other Than Income

Taxes on payroll are computed as follows:

Payroll	\$46,200
FICA (6.7%)	\$ 3,095
SUI (2.7%)	1,247
FUI (0.7%)	<u>323</u>
Total (10.1%)	\$ 4,665

Depreciated Rate Base

Hillview stipulates to the net plant investment of \$269,988 developed by staff.

It contends, however, that materials and supplies as well as working cash are underestimated by staff.

Unfortunately, no comprehensive analysis of the derivation of these elements was provided on the record by either staff or Hillview. We adopt staff's estimates as being consistent with the Hillview stipulation to accept all other staff estimates of rate base elements.

Rate of Return

Staff suggests that rate of return for Hillview should be set within a range of 11.25% and 11.75% in consonance with our recent decisions for comparable water companies. Hillview requests a 12% rate of return.

We adopt an 11.75% rate of return in this proceeding.

Special Depository Issue

D.82-01-105 ordered the emergency interim rate increase funds to be deposited with Hillview's fiscal agent, Golden Oak, and to be used only to pay past-due obligations or to pay new indebtedness incurred to retire past-due obligations.

Because of Hillview's inability to pay operating expenses as they became due, this order was not followed. In fact, a large creditor of Hillview attached the company's funds at Golden Oak, and Hillview has since moved its accounts and assets to avoid further attachment, garnishment, or sale by court order.

At the ALJ's request, Hillview presented an accounts payable aging study as of March 31, 1982. The report is summarized as follows:

Current	\$11,574
1 - 30 days	6,126
31 - 60 days	8,451
61 - 90 days	8,862
91 - 120 days	9,339
Over 121 days	<u>6,230</u>
Total	\$50,582

Additionally, there is an outstanding judgment against Hillview in the amount of \$38,344.

In part because of the foregoing, SOCCOW requests that Hillview be placed in receivership. Hillview, however, testified that the owners of Hillview were prepared to make a further investment in the company in at least the amount of the judgment and that no other collection lawsuits were being threatened. All that was required, according to Hillview, was sufficient time to sell certain Madera property owned by the shareholders of Hillview.

Given satisfaction of the \$38,344 judgment by a further capital contribution, we believe Hillview should be provided the opportunity to continue its public utility functions under present management. Table I shows that the rates approved by this decision

should yield sufficient moneys to pay current costs of operation and to have a positive cash flow to pay its \$50,582 in old debts. Source of funds from 1982 operations are as follows:

Depreciation	\$12,840
Income tax	11,613
Net operating revenue	<u>32,704</u>
Source of Funds	\$57,157

Contempt Issue

Under Ordering Paragraph 4 of D.82-01-105, staff made a study of Hillview for the purpose of determining whether to recommend that contempt proceedings be commenced.

At the hearing, staff counsel did not recommend the initiation of proceedings in contempt but did note that the staff study shows that \$10,347 of Department of Water Resources funds were used by Hillview for purposes other than repayment of bonded indebtedness and should be replaced. Other activities of Hillview which were reviewed by the staff were characterized as being done in an attempt to continue water service to its customers rather than for any personal gain.

We accept staff's recommendation that Hillview repay the \$10,347. We will not institute contempt proceedings.

Surcharge Reductions

Hillview proposes certain reductions in current surcharges imposed under the Safe Drinking Water Bond Act to pay for the cost of system improvements. As these changes were first proposed at the hearing, staff has not had the opportunity to review them.

Additionally, as we are adopting the staff recommendations for the merging of some of Hillview's districts, Hillview should also review its request in the light of this decision.

An advice letter filing may well suffice to institute any reductions in surcharges after Hillview consults with staff on the matter.

Rate Design and Consolidation of Rate Areas

The Hydraulic Branch recommends that three of the present water districts with different rates be combined into one rate area. The three districts are Royal Oaks-Sunnydale, Goldside-Hillview, and Sierra Lakes. These three districts presently have service charge type rate schedules which could easily be consolidated into one rate schedule with a 300-cubic foot lifeline block and one inverted tail block. In addition to being in one geographic area, these three districts have reasonably comparable rate bases and operating costs.

Staff further states that the other three districts have a very large diversity in geography, rate base, depreciation expense, or other operating costs. The Branch recommends that they continue to operate as separate districts with different rates at this time. The Coarsegold and Raymond Districts presently have service charge type rates with a 300-cubic foot lifeline block and one inverted tail block. However, the Indian Lakes District has a minimum charge type rate schedule which should be converted to a service charge rate.

Minimum charge rates were in effect for all of these districts in 1980. The five Hillview districts were converted to service charge rates by D.92922 dated April 21, 1981. Lifeline differentials of 25% or more resulted for four of the five districts and the rates for the fifth district (Raymond) resulted in a small lifeline differential (less than 5%). The interim and offset rate increases recently granted did not result in changing the lifeline differentials since they were granted equally to all minimum or service charges and quantity rates. As a result, the rates the Commission authorizes for the Raymond and Indian Lakes Districts should give consideration to the provision of lifeline differentials.

Hillview claims that there are no meters smaller than 3/4-inch and has requested that the 5/8- x 3/4-inch meter charge be deleted from its tariff schedules.

Hydraulic Branch makes the following specific recommendations.

1. Convert the minimum charge rate schedule for Indian Lakes to a service charge type.
2. Eliminate all flat rate schedules when all customers become metered.
3. Establish one rate for both the 5/8- x 3/4-inch and the 3/4-inch meters.
4. Meter all sources of water.
5. Enclose all wells, pumps, and storage tanks.
6. Consolidate Royal Oaks-Sunnydale, Goldside-Hillview, and Sierra Lake Districts into one district.

Measurement of the quantity of water produced at each source of supply is required by Section II.4.a. of General Order 103. Therefore, individual meters on the discharge line of each pump will be required. Fences to enclose all wells, pumps, storage tanks, and water treatment and electrical facilities are necessary to avoid unauthorized entries and vandalism. All of the above staff recommendations are reasonable and will be adopted. Hillview will be ordered to complete recommendations 4 and 5 within 180 days after the effective date of this decision. Hillview stipulates that recommendations 4 and 5 are reasonable and states that they will be implemented as soon as funds are available.

Staff counsel makes two suggestions in his closing statement. First, any moneys on deposit with the Commission should be returned to Hillview for deposit in the trust account for the Department of Water Resources. Second, staff should be directed to monitor the operations of this entity and file a written report every 120 days.

The first recommendation is reasonable and will be adopted.

Staff counsel's second suggestion is more appropriate to the complaint proceeding (C.10937). We invite the parties in that proceeding to comment upon it in their briefs.

Findings of Fact

1. The adopted estimates of operating revenues, operating expense, rate base, and rate of return for test year 1982 are reasonable.

2. A rate of return of 11.75% on the adopted rate base of \$278,330 for test year 1982 is reasonable.

3. Hillview's earnings under 1981 rates for test year 1982 would produce a loss in excess of \$11,140 on a rate base of \$278,330 based on the adopted results of operations.

4. The increases in rates and charges authorized for 1982 in Appendixes A through D are just and reasonable, and the present rates and charges insofar as they differ from those prescribed are for the future unjust and unreasonable.

5. The rate design established by this decision is reasonable.

6. Hillview is unable to account for \$10,347 in Department of Water Resources trust funds. These funds should be replaced by Hillview.

7. Hillview's custodianship of trust funds and earmarked rate increase funds has been negligent.

8. Hillview's financial management has resulted in the violation of Commission orders but was not done for personal gain.

9. Hillview's actions with respect to trust fund and rate increase moneys were taken with a view to preserving water service to its customers in the face of financial adversity.

10. The initiation of a contempt proceeding against Hillview would not be in the public interest, based upon the record before us.

11. Surcharge reductions should not be made until Hillview and the Hydraulics Branch have conferred upon the issue.

12. The minimum charge schedule for Indian Lakes should be converted to a service charge type.

13. All flat rate schedules should be eliminated when all customers become metered.

14. One rate should be established for both the 5/8- x 3/4-inch and the 3/4-inch meters.

15. All sources of water should be metered.

16. All wells, pumps, storage tanks, and water treatment and electrical facilities should be enclosed.

17. Royal Oaks-Sunnydale, Goldside-Hillview, and Sierra Lakes Districts should be consolidated into one district.

18. Surcharge funds on deposit with the Commission should be returned to Hillview in trust.

Conclusions of Law

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

2. An order to show cause re contempt should not be issued.

FINAL ORDER

IT IS ORDERED that:

1. Hillview Water Company, Inc. (Hillview) is authorized to file revised rate schedules in accordance with Appendixes A through D. The effective date of the revised schedules shall be 5 days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date of the revised schedules. The filings shall comply with General Order Series 96-A.

2. All moneys held by the Commission for Hillview shall be paid to Hillview.

3. Within 30 days, Hillview shall deposit sufficient funds in the water bonds trust account to bring the balance to current status.

4. Royal Oaks-Sunnydale, Goldside-Hillview, and Sierra Lakes Districts are consolidated.

5. Hillview shall, within 180 days after the effective date of this order, meter all sources of water supply and fence all wells, pumps, storage tanks, and water treatment and electrical facilities.

Hillview shall notify the Commission by letter when it has fully complied with this order.

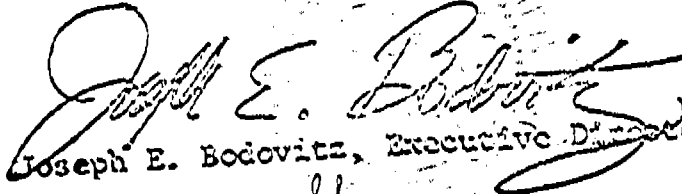
This order becomes effective 30 days from today.

Dated August 18, 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
Commissioners

Commissioner Priscilla C. Grew,
being necessarily absent, did
not participate.

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


Joseph E. Bodovitz, Executive Director
ss

APPENDIX A

ROYAL OAKS-SUNNYDALE-GOLDSIDE-HILLVIEW-SIERRA LAKES TARIFF AREA

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Royal Oaks Estates, Sunnydale, Goldside Estates, Hillview Estates, Sierra Lakes Tracts and vicinity, Madera County.

RATES

	<u>Per Meter Per Month</u>	<u>Safe Drinking Water Bond Surcharge Per Meter Per Month</u>		
		<u>Royal Oaks Sunnydale</u>	<u>Goldside Hillview</u>	<u>Sierra Lakes</u>
Quantity Rates:				
First 300 cu.ft. per 100 cu.ft.	\$ 0.87			
Over 300 cu.ft. per 100 cu.ft.	1.16			
Service Charge:				
For 5/8 x 3/4-inch meter	8.50	\$ 8.80	\$ 3.00	\$0.85
For 3/4-inch meter	8.50	8.80	3.00	0.85
For 1-inch meter	11.60	15.00	5.10	1.45
For 1 1/2-inch meter	15.50	29.05	9.90	-
For 2-inch meter	20.90	46.65	15.90	-
For 3-inch meter	38.60	88.00	30.00	-
For 4-inch meter	52.50	147.00	50.10	-
For 6-inch meter	87.00	(C) 211.00	-	-

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

METERED SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan authorized by Decision 91560.

APPENDIX B

COARSEGOLD HIGHLANDS TARIFF AREA

Schedule No. CH-1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Coarsegold Highlands and vicinity, three miles south of Coarsegold, Madera County.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>	(I)	<u>Safe Drinking Water Bond Surcharge Per Meter Per Month</u>
First 300 cu.ft. per 100 cu.ft. . . .	\$ 1.53		
Over 300 cu.ft. per 100 cu.ft. . . .	2.03		
 Service Charge:			
For 5/8 x 3/4-inch meter	12.90		\$1.60
For 3/4-inch meter	12.90		1.60
For 1-inch meter	17.60		2.75
For 1 1/2-inch meter	23.50		5.30
For 2-inch meter	31.70		(I)

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

METERED SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan authorized by Decision 91560.

APPENDIX C

RAYMOND TARIFF AREA

Schedule No. RA-1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Raymond and vicinity, Madera County.

RATES

Quantity Rates:	Per Meter Per Month		Safe Drinking Water Bond Surcharge Per Meter Per Month
First 300 cu.ft. per 100 cu.ft. . .	\$ 1.97		
Over 300 cu.f.t per 100 cu.ft. . .	2.62	(I)	
 Service Charge:			
For 5/8 x 3/4-inch meter	10.00		\$ 6.15
For 3/4-inch meter	10.00		6.15
For 1-inch meter	13.60		10.50
For 1 1/2-inch meter	18.20		20.30
For 2-inch meter	24.50	(I)	32.60

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

METERED SERVICE SURCHARGE

NOTE: This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan authorized by Decision 91560.

APPENDIX D

INDIAN LAKES TARIFF AREA

Schedule No. 1L-1A

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Indian Lakes Estates and vicinity, three miles southeast of Coarsegold, Madera County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 300 cu.ft. per 100 cu.ft.	\$ 0.79	(C)
Over 300 cu.ft. per 100 cu.ft.	1.06	
 Service Charge:		
For 5/8 x 3/4-inch meter	6.50	
For 3/4-inch meter	6.50	
For 1-inch meter	8.90	
For 1 1/2-inch meter	11.80	
For 2-inch meter	16.00	(C)

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

(C)
|
(C)

Insurance

Staff used actual 1981 insurance cost for the utility and its vehicles in making its estimate of 1982 expense of \$5,750.

Hillview includes additional proposed expense for life and health insurance for its employees.

We adopt the staff's estimate.

Accounting - Legal

Staff's estimate is based upon the 1980 Branch report adjusted for inflation.

Hillview includes \$1,280 for legal fees and \$1,280 for engineering or surveying fees. It also earnestly contends that its actual \$21,514 in fees for professional services in 1981 should be recouped through rates.

It is clear that this utility suffers from a variety of legal ills for which the cost of cure is substantial. However, costs of litigation involved in resisting collection efforts by its creditors and costs of work done primarily for shareholders' benefit ~~is~~ not to be passed on to the ratepayers.

On the other hand, costs of this rate proceeding, contract supervision vis-a-vis the Department of Water Resources, and ongoing Commission proceedings instituted for the benefit of its customers through better facilities and service may reasonably be included in rates.

We accordingly adopt the staff estimate of \$2,590 as a reasonable allowance for legal and accounting expenses comprised of the following: rate case expense of \$3,600 to be amortized over 3 years; \$1,390 for ongoing professional fees of attorneys, engineers, and accountants for 1982.

Vehicle Expense

Staff's estimate of vehicle expense is based upon 1980 estimated miles of 40,364, a gallon cost of \$1.20 for gasoline, and an average of 12 miles per gallon. Gasoline cost is thus 10¢ per mile or \$4,036 for the year. \$5,234 is staff's estimate for oil and service, and maintenance and repair of 2 vehicles. Total vehicle expense equates to 23¢ per mile.

17. Royal Oaks-Sunnydale, Goldside-Hillview, and Sierra Lakes Districts should be consolidated into one district.

18. Surcharge funds on deposit with the Commission should be returned to Hillview in trust.

Conclusions of Law

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

2. An order to show cause re contempt should not be issued.

FINAL ORDER

IT IS ORDERED that:

1. Hillview Water Company, Inc. (Hillview) is authorized to file revised rate schedules in accordance with Appendixes A through D. The effective date of the revised schedules shall be 5 days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date of the revised schedules. The filings shall comply with General Order Series 96-A.

2. All moneys held by the Commission for Hillview shall be paid to Hillview.

3. Within 30 days, Hillview shall deposit sufficient funds in the water bonds trust account to bring the balance to current status.

4. Royal Oaks-Sunnydale, Goldside-Hillview, and Sierra Lakes Districts are consolidated.

5. Hillview shall, within 180 days after the effective date of this order, meter all sources of water supply and fence all wells, pumps, storage tanks, and water treatment and electrical facilities. Hillview shall notify the Commission by letter when it has fully complied with this order.

6. Hillview shall meter all sources of water and enclose all its wells, pumps, and storage tanks.

This order becomes effective 30 days from today.

Dated AUG 18 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
Commissioners

Commissioner Priscilla C. Crow,
being necessarily absent, did
not participate