

Decision 83 01 013 JAN 12 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of YOSEMITE SPRINGS PARK UTILITY
CO., for authorization to increase
rates.

Application 82-07-20
(Filed July 9, 1982;
amended October 27, 1982)

INTERIM OPINION

Yosemite Springs Park Utility Company (Yosemite), a corporation, requests rate increases for water service to its approximately 400 customers of about 621%. The system has been designed and installed for 2,263 lots in the vicinity of Yosemite National Park in Madera County. According to the application filed in mid-1982 Yosemite had a substantial loss and negative rate of return in 1981 which will continue in 1982 and which will be worse in 1983 unless the sought increases are granted. Following is a summary of the 1981 recorded and 1982 estimated financial data submitted by Yosemite with the application:

	1981 <u>Recorded</u>	1982 Estimated	
		<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues \$	72,361	\$ 77,858	\$561,024
Total Deductions*	256,238	477,508	501,674
Net Revenues	(183,877)	(399,650)	59,350
Rate Base	650,000	698,001	698,001
Rate of Return	(28.3)%	(57.3)%	8.5%

(Red Figure)

* Includes depreciation, taxes, and interest expenses.

Notice of the sought increase was mailed to customers. The Yosemite Lakes Owners Association (Association), which includes customers of Yosemite, opposes the sought increases. On October 27, 1982 the Association filed two complaints against Yosemite which will be considered later and not in this interim decision.^{1/}

^{1/} Case (C:) 82-10-10 which asserts that Yosemite has refused to provide water service for the Association's recreational facilities, and C.82-10-11 which concerns the operations, affiliations, and financial condition of Yosemite and objects to a rate increase.

By the amendment to the application filed October 27, 1982 Yosemite seeks an immediate emergency interim increase of approximately 100% in its water rates. According to the income and expense statement for the eight months ending August 31, 1982 attached to the amendment, Yosemite had revenue of \$52,400 and a net loss of \$190,875 for this period. Notice of the sought interim increase was mailed to customers on November 5, 1982. Six responses objecting to the amount of the increase have been received by the Commission.

The amendment asserts that because of the magnitude of the losses Yosemite is experiencing, it is unable to secure additional needed financing and cannot continue to operate unless the sought interim increase is granted immediately. It also requests prompt consideration of the full amount of the increases sought by Yosemite.

A report on the requested interim rate increase has been prepared by the staff of the Commission's Hydraulic Branch and has been received in evidence as Interim Exhibit A. The report is based on a review of the amended application, papers accompanying the original application, and Yosemite's Annual Report for the past four years. Because only approximately 400 of the 2,263 lots have been built upon and receive water service, a saturation adjustment has been made by the staff in certain expense items. The staff has not included interest, which is not an allowable ratemaking expense, in its calculations, which Yosemite has done. There are certain additional differences in the methodologies used by the staff and Yosemite in determining expenses and other deductions from revenues. Based on its total expense and deduction calculations and Yosemite's estimated gross revenue of \$77,858 for 1982 at present rates, the staff developed total deductions of \$134,200 and a loss of \$56,342 for this period. According to the report a rate increase of 75% would offset this loss. The report recommends that an interim increase in this amount be granted.

A report on the requested interim rate increase also has been prepared by a staff accountant from the Commission's Revenue Requirements Division. This report, which is based on an actual audit of the company's receipts and disbursements, has been received in evidence as Interim Exhibit B.

The staff accountant's report is directed solely at the question of financial emergency, i.e. the out-of-pocket funds needed to continue operations. The report does not consider rate of return, noncash expenses such as depreciation, or a ratemaking saturation adjustment to reflect the low ratio of active services to the total number of lots to which water service is available. The report points out that, as a practical matter, even where a saturation adjustment is justified from a ratemaking viewpoint, it does not relieve the company of the necessity of actually making cash payments.

Interim Exhibit B shows that for nine months ended September 30, 1982, gross revenues were \$63,469, while out-of-pocket expenses, excluding depreciation and interest, were \$156,960. Annualizing these figures produces gross revenues of \$77,000 and out-of-pocket expenses of \$213,339 for the full year 1982.

Based on the foregoing data, the staff accountant concludes that a 100% emergency interim increase in rates is justified. He states that such an increase, combined with stringent economies of operation, should enable applicant to cover its basic out-of-pocket costs, although it will not provide for depreciation or return on investment, nor will it generate funds for payment of principal and interest on long-term debt or refunds on main extension contracts. The staff accountant asserts further that such an increase would not solve the long-range problems of the utility, but it would "buy time" to search for a permanent solution.

The facts and circumstances now before us, when viewed either from the normal ratemaking perspective of the Hydraulic Branch or from the financial emergency viewpoint of the staff accountant,

indicate that Yosemite lost money in 1981 and will have a sizable financial loss for 1982 which may seriously jeopardize its financial condition and ability to continue to serve its customers. To avoid this possibility, we are of the opinion that the interim increase of 100% recommended by the staff of the Revenue Requirements Division should be adopted as an emergency measure, subject to the condition that the increase may be refunded in whole or in part upon further order of the Commission. By so doing, Yosemite's apparent operating losses will be halted or at least substantially lessened, and the ratepayers will be protected should further study by the staff and hearing in the matter establish that a lesser or no increase is justified.

Since there is an apparent immediate need for the relief, the following order should be made effective on the date it is signed.

Findings of Fact

1. Yosemite lost money in 1981 and will have a sizable financial loss in 1982.
2. Because of these losses, Yosemite may be unable to borrow needed capital and may not be able to continue to serve its customers without an immediate interim rate increase.
3. For the reasons stated in Finding 2 and based upon the preliminary financial data developed in Interim Exhibits A and B, an immediate interim increase of 100% in Yosemite's rates and charges for water service is justified and reasonable, provided the increase is subject to refund in whole or in part upon further order of the Commission.

Conclusions of Law

1. Yosemite should be authorized to file the revised water rates set forth in Appendix A to this decision, which reflect a 100% increase on all existing rates, subject to the condition that the increase may be refunded in whole or in part upon further order of the Commission.

Schedule No. 1RA

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all residential metered water service furnished on an annual basis.

TERRITORY

Yosemite Lakes Subdivision and vicinity, Madera County.

RATES

		<u>Per Meter</u> <u>Per Year</u>	
Annual Service Charge:			
For	3/4-inch meter	\$ 144.00	(I)
For	1-inch meter	196.00	
For	1 1/2-inch meter	262.00	
For	2-inch meter	354.00	
For	3-inch meter	654.00	
For	4-inch meter	890.00	
For	6-inch meter	1,480.00	(I)

		<u>Per Meter</u> <u>Per Month</u>	
Quantity Rate:			
	First 500 cu.ft. per 100 cu.ft.	\$1.20	(I)
	Over 500 cu.ft. per 100 cu.ft.	1.26	(I)

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge computed at the Quantity Rate for water used during the billing period.

Schedule No. 3MA

ANNUAL IRRIGATION METERED SERVICE

APPLICABILITY

Applicable to all metered golf course and lake fill water service furnished on an annual basis.

TERRITORY

Yosemite Lakes Subdivision and vicinity, Madera County.

RATES

	<u>Per Meter</u>	
	<u>Per Year</u>	
Annual Service Charge:		
For 3/4-inch meter	\$ 144.00	(I)
For 1-inch meter	196.00	
For 1 1/2-inch meter	262.00	
For 2-inch meter	354.00	
For 3-inch meter	654.00	
For 4-inch meter	890.00	
For 6-inch meter	1,480.00	(I)
Quantity Rate:		
Per Acre Foot	\$172.00	(I)

The Service Charge is applicable to all metered irrigation service. It is a readiness-to-serve charge to which is added the charge computed at the Quantity Rate for water used during the billing period.

(END OF APPENDIX A)

2. This order should be made effective on the date it is signed because Yosemite is operating at a loss.

INTERIM ORDER

IT IS ORDERED that:

1. Subject to Ordering Paragraph 2, Yosemite Springs Park Utility Company, a corporation, is authorized to file revised rate schedules in accordance with Appendix A. Such filing shall comply with General Order Series 96-A. The effective date of the revised schedules shall be five 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.

2. The rate increase authorized above shall be subject to refund in whole or in part upon further order of the Commission.

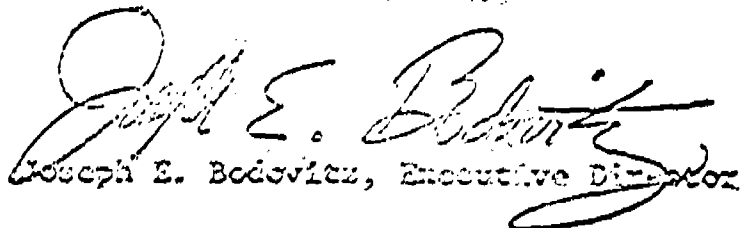
This order is effective today.

Dated January 12, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

Commissioner Donald Vial present
but not participating.

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


Joseph E. Bodevitz, Executive Director