

Decision No. 87021

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )

MIRA LOMA WATER CO.,  
a California corporation

Application No. 56610  
(Filed July 12, 1976)

for authorization to increase its  
rates charged for water service.

Fred J. Russell and Albert A. Webb  
Associates, by Reginald H. Knaggs,  
for applicant.  
Best, Best & Krieger, by Richard  
Anderson, Attorney at Law, for  
Mira Loma Associates, protestant.  
Andrew Tokmakoff, for the Commission  
staff.

O P I N I O N

Mira Loma Water Company (MLWC) seeks authority to increase its flat rate, small metered, and large metered service rates approximately \$26,090 (35 percent) annually over the rates authorized by Resolution No. W-1797 adopted by this Commission on September 3, 1975.

MLWC, a California corporation, owns and operates a water utility serving 89 domestic and commercial customers in Mira Loma Village and vicinity, Riverside County. Service is provided to a residential tract of individually owned homes through 81 active flat rate and 7 metered connections and to Mira Loma Associates in The Country Village, an apartment complex of approximately 1,200 units, through 51 meters ranging in size from one inch to six inches.

MLWC obtains its water supply from two wells located on its own property within the present service area. The principal supply well (Well No. 4) has a capacity of 1,200 gallons per minute and pumps into a concrete reservoir and storage tank having a combined capacity of 125,600 gallons. The second well (Well No. 8) is fully equipped and is available as a standby source. Two booster pumps deliver water from the supply reservoir and storage tanks into the distribution system which has 28,275 feet of mains ranging in size from two inches to 16 inches in diameter. There is also a 1,300,000-gallon distribution reservoir located an average of 155 feet above the service area on a completely fenced 175,000-square-foot (500' x 350') company-owned site. The quality of the well water is good and the water is softer than the Colorado River water delivered to much of southern California.

After notice, public hearing was held before Examiner Johnson on December 21, 1976 at Mira Loma and the matter was submitted.

Testimony was presented on behalf of MLWC by its president, Fred J. Russell, by a registered industrial engineer employed by Russell Properties Company, and by a consulting engineer; on behalf of Mira Loma Associates (MLA) by its manager and by its superintendent of maintenance; and on behalf of the Commission staff by a utilities engineer.

#### Rates

The present rates were authorized by Resolution No. W-1797 dated September 3, 1975. MLWC submitted a draft of a newly proposed advice letter to the Commission on December 22, 1975 requesting rates that would produce an 8.46 percent rate of return. After review the staff authorized notice to all customers of the proposed 31 percent increase in

charges for metered service and a 30 percent increase for flat rate service. This notice was sent each customer on April 13, 1976. As a result of protests received from Mira Loma Associates, some of its tenants, and others, MLWC was informed that a formal application and formal hearing would be required. The formal application was filed on July 12, 1976. The following tabulation sets forth the presently effective rates, together with MLWC's proposed rates:

MONTHLY METERED SERVICE

RATES

	<u>Present</u>	<u>Proposed</u>	<u>% Increase</u>
<b>Quantity Rates:</b>			
First 500 cu.ft. or less .....	\$ 4.50	\$ 4.50	0
Next 1,000 cu.ft., per 100 cu.ft. ....	.53	.70	32.1
Next 1,500 cu.ft., per 100 cu.ft. ....	.43	.55	27.9
Over 3,000 cu.ft., per 100 cu.ft. ....	.35	.46	31.4
<b>Minimum Charge:</b>			
For 5/8 x 3/4-inch meter .....	4.50	4.50	0
For 3/4-inch meter .....	6.50	8.25	26.9
For 1-inch meter .....	12.50	16.00	28.0
For 1 1/2-inch meter .....	20.50	25.00	22.0
For 2-inch meter .....	30.00	38.00	26.7
For 3-inch meter .....	55.00	70.00	27.3
For 4-inch meter .....	90.00	115.00	27.8
For 6-inch meter .....	150.00	180.00	20.0

MONTHLY FLAT RATE SERVICE

For each 3/4-inch service connection ....	8.50	11.00	29.4
For each 1-inch service connection ....	16.50	21.50	30.3
For each 1 1/2-inch service connection ....	26.00	33.80	30.0
For each 2-inch service connection ....	40.00	52.00	30.0

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

Results of Operation

A summary of earnings for the test year 1976 was presented into evidence by both MLWC and the Commission staff. Tabulated below are these summaries of earnings under present and proposed rates, together with the adopted results at present rates for the test year 1976.

Summary of Earnings  
(Year 1976 Estimated)

Item	MLWC Estimated		Staff Estimated		Adopted Results <sup>1/</sup>
	Present	Proposed	Present	Proposed	
	Rates	Rates	Rates	Rates	
Operating Revenues	\$ 74,500	\$100,600	\$ 74,500	\$ 96,900	\$ 74,500
<u>Operating Expenses</u>					
Source of Supply	12,500	12,500	15,000	15,000	15,000
Power	12,300	12,300	12,300	12,300	12,300
Office Supplies	500	500	300	300	300
Insurance	1,600	1,600	1,400	1,400	1,400
General	7,100	7,100	11,300	11,300	11,300
Total Expenses	34,000	34,000	40,300	40,300	40,300
<u>Deductions</u>					
Depreciation	16,700	16,700	17,000	17,000	17,000
Property Taxes	9,300	9,300	9,800	9,800	9,800
Other Taxes	200	200	200	200	200
Income Taxes	3,950	14,520	1,960	8,090	1,960
Total Expenses and Deductions	64,150	74,720	69,260	75,390	69,260
Net Revenue	10,350	25,880	5,240	21,510	5,240
Rate Base	306,230	306,230	307,730	307,730	307,730
Rate of Return	3.38%	8.45%	1.70%	7.00%	1.70%

<sup>1/</sup> At present rates. Bases for adopted results are discussed in the following paragraphs.

Both the Commission staff and MLWC use 1974 water sales as a basis for estimating 1976 test year revenues at present and proposed rates. One of MLA's witnesses testified that the vacancy factor for The Country Village was 15.9 percent for 1974 and zero for 1976. MLA argues that the utilization of 1974 water usage figures will understate 1976 estimated revenues because of the vacancy factor drop-off between 1974 and 1976. Other things being equal such a position would be valid. The record shows, however, that MLA has effected water conservation measures that have resulted in decreased water consumption counteracting the decrease in vacancy factor. We will, therefore, adopt MLWC's and the staff's 1976 revenue estimates of \$74,500 at present rates. The staff's estimate of revenues at proposed rates is \$3,700 less than MLWC's estimate because MLWC's witness utilized the initially contemplated rates rather than those finally proposed in the application. The staff's estimate of revenues at proposed rates will be used in the determination of the revenue requirement in this proceeding.

Included in this record as Exhibit 1 is an income statement for the 11 months ended November 30, 1976. This income statement shows an 11-months' expense of \$73,683 as contrasted to a total year's estimated expense of \$64,150 as estimated by MLWC and \$69,260 as estimated by the Commission's staff. The record shows that the underestimates derive from two factors: (1) MLWC's operations have changed from the daily services and meter reading work being performed by a single full-time employee to having these services performed by ECS, Inc. at an increase in annual operating costs of approximately \$4,800; and (2) the performance by ECS, Inc. of \$16,689.72 of deferred maintenance that the single employee was unable to perform.

The inclusion of a partial proration of this deferred maintenance expense by the Commission staff's engineer accounts for the \$2,500 difference in MLWC's and the staff's source of supply expense. This deferred maintenance work was performed after the preparation of MLWC's estimates and was, therefore, not included in its estimates. The partial proration of \$2,500 adopted by the staff engineer appears reasonable and will be adopted. Another major item of difference in estimated 1976 expense is the \$4,200 differential in general expense reflecting primarily the additional costs of the services provided by ECS, Inc. The staff's estimate, based on later data, will be adopted. MLWC's estimate of ad valorem taxes is \$9,300. The actual tax, billed since the preparation of MLWC's estimates, was \$9,776.12. We will adopt the staff's rounded tax figure of \$9,800.

The staff's 1974 rate base estimate is \$1,500 higher than MLWC's. The difference results from the inclusion by the staff engineer of this amount for the capitalization of a portion of the previously discussed deferred maintenance. We will adopt the staff's rate base estimate, together with the staff's estimate of power expense, office supplies expense, insurance, and other taxes expenses, which as shown in the previous tabulation, approximate MLWC's estimates. The adopted income taxes reflect these adopted revenue and expense items. In passing, it is noted that the staff engineer anticipated an increase in the power expense over the Southern California Edison Company's (Edison) rates in effect on December 31, 1975. Decision No. 54946 dated December 21, 1976 in Application No. 56822 granted Edison a \$44.5 million increase. This increase was exactly offset by a decrease resulting from an energy cost billing factor adjustment authorized by Decision No. 86760 also

dated December 21, 1976 in Application No. 56822. The over-all effect of these two decisions is to maintain the same rates in effect on December 31, 1975.

Rate of Return

In its application MLWC states that:

"The proposed rates are necessary to permit applicant to earn a fair, sufficient, just and reasonable return on its capital invested in the facilities used and useful in rendering water service, ..."

The summary of earnings attached to the application indicates that such rates would yield a rate of return of 8.46 percent. The estimated rate of return at proposed rates reflecting the adopted summary of earnings is 7.0 percent. This estimated rate of return will be adopted as reasonable for this proceeding. Such proposed rates represent an increase in present rates of approximately 30.07 percent, rather than the 35.0 percent set forth in the application. Were this increase applied to the approximately 1,200 apartments in the Mira Loma Associates complex, the increase would be about \$1.60 per month per apartment.

Other Matters

The record shows that MLWC does not have a local telephone listing and that the telephone number shown on invoices and bills is for the Los Angeles office of the utility. MLWC's witnesses testified that ECS, Inc. provides 24-hour service. However, although the ECS, Inc. number is known to MLA personnel, those MLWC customers other than MLA would be unaware of what number to call in the event of an emergency situation. The staff engineer recommended that a local telephone directory listing be made under the name of Mira Loma Water Company. This recommendation is well taken, and will be adopted.

MLA's witnesses recounted several instances of abnormal water levels in the 1.3 million-gallon reservoir and alleged that the emergency service provided by ECS, Inc. was inadequate and untimely. According to the testimony, however, it would appear that ECS, Inc. took steps to alleviate the one reservoir drainage and two reservoir overflow instances within a reasonable period of time. The staff's field investigation indicated that water pressures were good and no adverse comments regarding water service were received from the tenants of The Country Village and the customers outside The Country Village interviewed by the staff engineer.

Findings

1. Mira Loma Water Company is in need of additional revenues and the proposed rates set forth in the application are not excessive.
2. The adopted estimates previously discussed herein of operating revenues, operating expenses, and rate base for the test year 1976 reasonably indicate the results of MLWC's operations in the near future.
3. A rate of return of 7.0 percent on the adopted rate base of \$307,730 is reasonable.
4. The increases in rates and charges authorized herein are reasonable; and the present rates and charges insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.
5. The authorized increase in rates is expected to provide the Commission staff's recommended increased revenues of approximately \$22,400 (30.1 percent) for MLWC's general service metered rates and flat rate service rates as contrasted to the estimated requested increase of \$26,100 (approximately 35 percent).



6. MLWC's service is adequate.

7. MLWC should provide a local telephone directory listing under the name of Mira Loma Water Company.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Mira Loma Water Company (MLWC) is authorized to file the revised rate schedules attached to this order as Appendix A and concurrently to cancel and withdraw presently effective schedules for the general metered and flat rate services. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Within thirty days after the effective date of this order MLWC shall arrange to provide a local telephone directory

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listing under the name of Mira Loma Water Company and notify this Commission when such arrangements are completed.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 15<sup>th</sup>  
day of MARCH, 1977.

Robert Bateman  
President  
William L. Johnson, Jr.  
Vernon B. Stitzman  
Robert W. Stovall  
Commissioners

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Mira Loma Village and vicinity, Mira Loma, Riverside County.

RATES

	<u>Per Meter</u>	
	<u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft. or less .....	\$ 4.50	
Next 1,000 cu.ft., per 100 cu.ft. ....	.70	(I)
Next 1,500 cu.ft., per 100 cu.ft. ....	.55	
Over 3,000 cu.ft., per 100 cu.ft. ....	.46	(I)
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 4.50	
For 3/4-inch meter .....	8.25	(I)
For 1-inch meter .....	16.00	
For 1-1/2-inch meter .....	25.00	
For 2-inch meter .....	38.00	
For 3-inch meter .....	70.00	
For 4-inch meter .....	115.00	
For 6-inch meter .....	180.00	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

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Schedule No. 2 LR (T)

LIMITED RESIDENTIAL FLAT RATE SERVICE (T)

APPLICABILITY

Applicable to residential rate water service provided to those flat rate water service customers and premises served as of July 1, 1974. (T)  
(N)

TERRITORY

The area known as Mira Loma Village and vicinity, Mira Loma, Riverside County.

RATES

	<u>Per Service Connection Per Month</u>	
For each 3/4-inch service connection	\$11.00	(I)
For each 1-inch service connection	21.50	
For each 1-1/2-inch service connection	33.80	
For each 2-inch service connection	52.00	(I)

SPECIAL CONDITIONS

1. All service not covered by the above classification shall be furnished only on a metered basis.

2. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.