

ORIGINAL

Decision No. 87399 June 1, 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ARROWHEAD UTILITY COMPANY, a California
corporation, for authorization to
increase rates for water service.

} Application No. 55895
(Filed August 26, 1975;
amended July 23, 1976)

Gibson, Dunn, and Crutcher, by Raymond L. Curran,
Attorney at Law, for Arrowhead Utility Company,
applicant.
Ralph Wagner, for Arrowhead Lake Association, and
Robert C. Smith, Robert Faires, and Barbara Cole,
for themselves; protestants.
George M. Jamieson, for Lake Arrowhead Property
Owners Association and Arrowhead Lake Association;
and R. H. Knazgs, Thomas C. Stowe, and Kent C.
Rogers, for themselves; interested parties.
Andrew Tokmakoff, Ichiro Nagao, and Octavio Lee,
for the Commission staff.

O P I N I O N

Arrowhead Utility Company (AUC) seeks authority to increase its general metered service, metered irrigation service, and public fire hydrant service rates approximately \$442,534 (86.3 percent) annually. Interim Decision No. 85794 dated May 11, 1976 in this matter authorized an increase of \$147,731.

AUC, a California corporation, is a wholly owned subsidiary of Boise Cascade Home and Land Corporation (Boise Land) which in turn is a subsidiary of Boise Cascade Corporation (Boise Corporation).

AUC renders public utility water service in and around the mountain communities of Lake Arrowhead and Cedar Glen in San Bernardino County. It obtains its total water supply from Lake Arrowhead through two intake facilities. The North Bay Intake and Pumping Plant boosts lake water to the Bernina Divide Filter Plant for treatment prior to entering the distribution system through the Bernina Divide Reservoir. Similarly, the Emerald Bay Intake and Pumping Plant boosts lake water to the Cedar Glen Filter Plant for treatment prior to being pumped directly into the distribution system. Because of the wide variation in elevations within the service area, 16 distinct pressure zones are required to adequately serve the area. These 16 pressure zones are comprised of eight gravity reservoir zones, seven hydropneumatic pressure zones, and one regulated pressure zone. The Lake Arrowhead Country Club (LACC) obtains metered untreated water from a tap of the raw water supply line near the Bernina Divide Filter Plant. The raw water follows the natural drainage course from this tap to Grass Valley Lake for storage and subsequent irrigation use by LACC. The number of average customers in AUC's service area for the recorded year 1975 was 3,793.

After notice, public hearing was held before Examiner Johnson on December 8 and 9, 1976 in Lake Arrowhead and on December 10, 1976 in San Bernardino and the matter was submitted. Testimony was presented on behalf of AUC by its president, by one of its vice presidents, and by a consulting engineer, and on behalf of the

Commission staff by a utilities engineer and a financial examiner. Statements in opposition to the amount and distribution of the proposed increases were made by public witnesses representing themselves and/or property owners associations. Other parties to the proceeding participated through cross-examination of the various witnesses.

Interim Increase

Concurrently with the filing of the original application, AUC filed a petition seeking authorization for an interim increase of approximately \$302,640 annually alleging that such interim rate relief was urgently needed to avoid serious and substantial damage to its financial stability. Decision No. 85794 authorized increased rates expected to provide increased revenues of approximately \$147,731 for AUC's customers. To reflect the effect of Decision No. 85794 and to update its showing, AUC amended its application and submitted a revised revenue requirement study for presentation at the hearings on the matter. This study set forth the estimated results of operation for the test year 1977 utilizing Decision No. 85794 rates as presently effective rates.

Rates

The presently effective rates established by Decision No. 85794 reflect the application of a uniform percentage increase to quantity rates authorized by Decision No. 68603 dated February 16, 1965 in Application No. 46253 as modified by Advice letter No. 22 filed March 6, 1975 authorizing a 6.2 percent purchase power offset effective April 6, 1975. The following tabulation sets forth the presently effective rates, together with those proposed by AUC and two alternate rate proposals proposed by the Commission staff. The staff's proposed rates for untreated water and public

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and private fire protection are the same as AUC's but the general metered service rates reflect an increase of 67.5 percent as contrasted to AUC's proposed rates designed to yield a general metered service increase of 88.3 percent.

GENERAL METERED SERVICE

	Per Meter Per <u>Bimonthly Period</u>			
	<u>Present Rates</u>	<u>Company Proposed Rates</u>	<u>Staff Suggested Alternative Rates</u>	
			Option A	Option B
Quantity Rates				
First 800 cu.ft. or less	\$ 11.25	\$21.25	\$ 18.50	\$ 18.50
Next 200 cu.ft., per 100 cu.ft.	.92	1.71	-	-
Next 1,000 cu.ft., per 100 cu.ft.	.92	1.71	1.54	1.395
Next 2,000 cu.ft., per 100 cu.ft.	.69	1.30	1.54	1.395
Over 4,000 cu.ft., per 100 cu.ft.	.69	1.30	1.24	1.395
Minimum Charges				
For 5/8 x 3/4-inch meter	11.25	21.25	18.50	18.50
For 3/4-inch meter	15.00	30.00	26.00	26.00
For 1-inch meter	22.00	42.00	42.00	42.00
For 1-1/2-inch meter	36.00	68.00	78.00	78.00
For 2-inch meter	52.00	100.00	115.00	115.00
For 3-inch meter	88.00	165.00	200.00	200.00
For 4-inch meter	144.00	275.00	320.00	320.00
For 6-inch meter	280.00	510.00	630.00	630.00

METERED UNTREATED WATER SERVICE

	<u>Present</u>	<u>Proposed</u>
First 100 acre-feet or less	\$6,000	\$7,500
Over 100 acre-feet, per acre-foot	60	75

PUBLIC FIRE HYDRANT SERVICE

	<u>Present Per Year</u>	<u>Proposed Per Year</u>
For each hydrant on six-inch or larger main	\$24.00	\$36.00
For each hydrant on smaller than six-inch main	12.00	24.00

PRIVATE FIRE PROTECTION SERVICE

	<u>Present Per Month</u>	<u>Proposed Per Month</u>
For each inch of diameter of service	None	\$2.00

The staff also recommends that the opening bill for general metered service be equal to the minimum charge for six months payable in advance to reduce the amount of AUC's uncollectibles resulting from short term users. AUC stated that such a modification to its special conditions would be beneficial and should be adopted.

It will be noted that the staff's proposed general service metered rate schedules reflect an increase in the basic bi-monthly allowance from 800 cubic feet to 1,000 cubic feet. This is the approximate indoor use for two people and is recommended to put full time residents and part-time residents on a more equal basis with respect to certain fixed costs which occur regardless of water use.

In addition, the staff's proposal minimizes the impact of the rate increase on low users and is therefore in keeping with the "lifeline" principles as espoused in our Decision No. 86708 dated December 7, 1976 in Application No. 56157. In that proceeding the staff recommended no increase for the first 500 cubic feet per month for 5/8 by 3/4 inch meters. In adopting this staff recommendation, we stated "The logic and consistency which has heretofore been followed by the Commission and the Legislature in

other lifeline rates is continued in the staff recommendation" (mimeo pg. 18). Our adoption of the staff's proposed Option B rate form in this proceeding is therefore a further extension of this policy.

Staff suggested Option A rates reflect a change in the quantity blocking so that the first two blocks which include bi-monthly use up to 4,000 cubic feet, generally cover 90 percent of the bills and 50 percent of the water sold. A third block was added as there is an adequate water supply and the additional revenue from high users will help keep basic water costs down. The staff's suggested Option B has one block beyond the minimum as contrasted to two blocks for Option A. The suggested Option B rate has an increasing percentage increase with increasing usage and would tend to discourage increased usage for the large users as compared to Option A. Consequently in keeping with our efforts to effect the conservation of natural resources, we will adopt the Option B rate form with the charges adjusted to reflect our adopted results of operation.

Results of Operation

Both AUC and the Commission staff presented summaries of earnings for the test year 1977 at present and company proposed rates. The following tabulation compares the estimated summary of earnings for the test year 1977 under present and proposed rates prepared by AUC and by the Commission staff together with the adopted summary of earnings at present rates.

Summary of Earnings
(Estimated Year 1977)

Item	AUC Estimated		Staff Estimated		Adopted ^{1/} Results
	Present Rates	Co. Prop. Rates	Present Rates	Co. Prop. Rates	
Operating Revenues	\$ 513,007	\$ 955,541	\$ 532,400	\$ 990,900	\$ 524,100
<u>Expenses</u>					
Operating	313,484	316,049	295,300	297,800	297,210
Taxes, Other	54,500	54,700	52,870	52,870	52,870
Income Taxes	200	208,049	2,530	231,620	200
Depreciation	108,380	108,380	105,790	105,790	105,790
Total Expenses	476,564	687,178	456,490	688,080	456,070
Net Operating Revenues	36,443	268,363	75,910	302,820	68,030
Rate Base	2,727,259	2,727,259	2,575,200	2,575,200	2,597,300
Rate of Return	1.34%	9.84%	2.9%	11.8%	2.6%

^{1/} At present rates. Bases for adopted results are discussed in the following paragraphs.

Revenues

Both the staff and AUC normalized recorded sales data as a basis for projecting test year sales. AUC used recorded data for the period 1966 through 1974 and made graphical and computer regression analyses to develop normalized water sales for 1975, 1976, and 1977. AUC's witness testified that the correlation between the graphical and computer analyses was very good and yielded an annual consumption per customer of 96.6 ccf for 1976 and 96.8 ccf for 1977.

The staff's utilities engineer adjusted the recorded data from 1966 through 1975 to reflect the deletion of 47 meters for 1974 that were installed for a condominium project that did not sell and to reflect the Lake Arrowhead Weather Station corrected weather data of an average annual temperature of 51.9 degrees Fahrenheit and adjusted yearly rainfall of 17.0 inches for 1974 as contrasted to the uncorrected figures used by AUC of an average temperature of 52.2 degrees Fahrenheit and an average adjusted rainfall of 13.9 inches. These adjusted data were used to make a graphical regression analysis. The resulting data were used for a final computer regression analysis, excluding data for the years 1970 and 1972 which the staff engineer felt gave inconsistent results, to yield a projected normalized average consumption of 103.7 ccf for the year of 1977. The staff's engineer stated that were the 1970 and 1972 data points included, and not using data corrected for the condominium project, the projected average consumption for the year 1977 would be 100.2 ccf. He further stated in response to the cross-examination questions that only two of the ten years' data reflected consumption in excess of the 103.7 ccf figure used as a basis for the staff's estimate.

AUC's consultant testified that correcting his recorded data to reflect the staff's corrections would yield an average projected consumption of 100.7 ccf for the year 1977. He further testified that in his opinion that the only suspect data he would exclude from his analysis in the twenty years studied were the years 1964 and 1965 and, therefore, the maximum average consumption he believed reasonable was the above stated 100.7 ccf for the year 1977. We will accept this premise and adopt 100.7 ccf per general service customer for the test year 1977. Both AUC's and the staff's

estimated average number of customers for the test year was 4,065. Applying the 100.7 ccf per customer to the 4,065 customers yields 409,346 ccf sales which translates to approximately \$497,200 revenue at present rates for this class of service. We will also adopt the staff's revenue estimates at present rates of \$7,800 for metered untreated sales, \$18,800 for public fire protection, and \$300 for miscellaneous revenue, a total 1977 test year revenue of \$524,100.

Operating Expenses

The following tabulation summarizes the operating expense estimate for the test year 1977 for AUC and the Commission staff, together with the adopted results. It will be noted that the primary differences in AUC's and the staff's estimates are in payroll expense, the cost of purchased power for pumping, and regulatory commission expense.

Item	AUC	Staff	Adopted
<u>Operating & Maint. Expenses</u>			
Payroll	\$ 77,298	\$ 73,500	\$ 73,500
Payroll Loading	12,314	11,710	11,710
Power	54,200	52,150	50,800
Uncollectibles	2,200	2,500	2,460
Other	69,432	69,400	69,400
Subtotal	215,444	209,260	207,870
<u>Adm. and General Expenses</u>			
Payroll	41,063	40,320	40,320
Payroll Loading	6,981	6,850	6,850
Empl. Pens. & Benefits	13,006	12,370	12,370
Reg. Comm. Expense	16,700	5,000	8,300
Other	24,000	24,000	24,000
A & G Transf.	(3,710)	(2,500)	(2,500)
	98,040	86,040	89,340
Total at present Rates	313,484	295,300	297,210

AUC included a possible eight percent payroll increase effective April 1, 1977 in its estimate whereas the staff annualized the payroll levels in effect on April 1, 1976. Consistent with our past practices we will not recognize pay increases not covered by an executed contract agreement and will therefore adopt the staff's estimate of payroll expense together with the related payroll loading and employee pension and benefit expenses.

The staff's engineer applied the Southern California Edison Company's (Edison) rates in effect on December 31, 1975 to 1,269,824 kilowatt-hours of purchased power to derive a purchased power cost of \$52,150 for the test year 1977. AUC's consultant increased Edison's December 31, 1975 rates by 15 percent to reflect an anticipated rate increase resulting from Edison's pending rate increase application and applied the resultant to an anticipated usage 1,120,988 kilowatt-hours of energy to derive an estimated purchased power cost of \$54,200. By Decision No. 86794 dated December 21, 1976 in Application No. 54946, Edison was granted a rate increase of 0.092 cents per kilowatt-hour. This increase was offset with a concurrent energy cost billing adjustment factor authorized the same day by Decision No. 86760 in Application No. 56822. The over-all effect of these two decisions is the maintenance of the same rates in effect on December 31, 1975. We will therefore adopt the staff's purchased power costs modified to reflect our adopted sales estimate of \$50,800 for the test year 1977.

Uncollectible expense is computed as a percentage of revenue. We will apply the staff's percentage figure to our adopted revenues to yield an uncollectible expense figure of \$2,460 for the test year 1977. Since the staff-proposed special condition of six months prepayment will reduce the number of uncollectible accounts, the amount of \$2,460 will also be assumed at the authorized rates.

AUC's estimated regulatory Commission expense reflects a total cost of \$50,000 amortized over an anticipated three-year period between general rate increase applications, whereas the staff's estimate reflects an informed judgment amount of \$15,000 for a typical rate case spread over the same three-year period. The record shows that actual expense incurred and to be incurred will probably be in excess of \$80,000 but that the major portion of this expense was incurred in reconstructing, correcting, and updating past records. In response to questions, AUC's consulting engineer testified that the cost of a rate increase application matter assuming adequate and complete records would be approximately \$25,000. We will adopt this amount amortized over a three-year period for ratemaking purposes or \$8,300. We will also adopt the staff's estimates of other operating and maintenance expense of \$69,400, other administrative and general expenses of \$24,000, and administrative and general expense transferred of minus \$2,500, for a total operating expense of \$297,210 as set forth in the previous tabulation.

Taxes, Other

The taxes shown opposite this item in the expense tabulation consist of ad valorem taxes. The staff's estimate reflects the latest known tax rate and assessed value increased to reflect plant additions whereas AUC's estimate assumes an increase in the tax rate. Consistent with our past practices of using actual experienced tax rates for ratemaking purposes we will adopt the staff's estimate of ad valorem taxes.

Taxes, Income

Adding the interest expense of \$69,140 used by the staff's engineer in computing income taxes as set forth in Appendix A of Exhibit 14 to the above-discussed adopted expense items and deducting

the total from the adopted revenues results in a negative taxable income. Consequently the 1977 test year income tax at present rates is the \$200 minimum California State Corporation Franchise tax.

Depreciation Expense and Plant

A Commission staff financial examiner testified that his review of AUC's updated plant records showed that all plant additions were well supported with invoices, contracts, work orders, and time cards except for the overhead capitalized which was apparently done in an arbitrary manner without adequate support. As the use of arbitrary percentages to cover assumed overheads is expressly forbidden by the uniform system of accounts, the financial examiner adjusted plant accounts and depreciation expense to reflect the elimination of this capitalized overhead. He recommended that AUC be ordered to reduce its plant balance by \$152,180 and to charge \$15,519 to Account No. 250 Depreciation Reserve and \$136,661 to Account No. 414, Miscellaneous Debits to Surplus. At the hearing the financial examiner added that a part of the overheads related to advances for construction, and therefore Account No. 241, Advances for Construction, should be reduced by \$22,135. This recommendation is reasonable and will be adopted in the ensuing order. This will increase staff rate base to \$2,597,300.

AUC's consulting engineer included \$25,000 as construction work in progress (CWIP) in rate base as contrasted to the staff's allowance of \$2,000 CWIP in rate base. In response to cross-examination AUC's witness testified that winter weather could prevent completion of work projects and the allowance for \$25,000 CWIP was therefore reasonable. It would appear that such events would be the exception rather than the rule, and we will, therefore, adopt the staff's estimated CWIP of \$2,000 for ratemaking purposes.

Rate of Return

AUC is requesting authorization to increase its rate to earn a 9.84 percent rate of return. The derivation of this specific

rate of return was testified to by a certified public accountant retained by AUC to assist the consulting engineer in the preparation of AUC's presentation. According to this witness's testimony, the optimum capital ratio for a water utility is 60 percent debt and 40 percent common equity. His review of recent Commission decisions indicated to him that the average return on common equity granted Class A water utilities is 12.6 percent. Applying the cost of debt of 8 percent reflected in money loaned AUC by Boise to 60 percent debt and 12.6 return on equity to the 40 percent equity yields a 9.84 percent return derived as follows:

	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Debt	60.0%	8.00%	4.80%
Equity	<u>40.0</u>	<u>12.6</u>	<u>5.04</u>
	100.0	-	9.84

The record indicates that the actual capital structure and return on equity at an assumed rate of return of 9.84 percent is as follows:

	<u>Amount</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Debt	\$ 801,651	31.97%	8.0%	2.56%
Equity	<u>1,705,536</u>	<u>68.03</u>	<u>10.7</u>	<u>7.28</u>
	2,507,187	100.00	-	9.84

The staff's financial examiner testified that a 9.84 percent rate of return is reasonable. We so find and will adopt a 9.84 percent return on our adopted rate base of \$2,597,300 or a return of \$255,600. Such a return will result in an increase of \$366,400 over presently effective rates.

Several of the parties to the proceeding recommended that only a nominal rate of return be granted or a limited period of time. In support of this position these parties stated that in their opinion AUC was requesting a rate increase to make the

water company worth more so as to permit its sale at an increased price. They further stated that Arrowhead Lake Association which owns Lake Arrowhead has the right of first refusal on the sale of AUC and that it intended to forthwith commence action to purchase AUC. In their opinion the granting of the requested amount of rate increase will make the acquisition of AUC more difficult and costly.

Even assuming that the sale price of AUC were based on actual rather than potential profits, it is axiomatic that this Commission is bound by law to establish rates that will provide the utility an opportunity to earn a reasonable return on its investment in plant used and useful in its utility operations. Under these circumstances, the possible effect of authorized rates on the sale price of the utility is relevant but not controlling.

Findings

1. Arrowhead Utility Company is in need of additional revenues but the proposed rates set forth in the application are excessive.
2. The adopted estimates previously discussed herein of operating revenues, operating expenses, and rate base for the test year 1977 reasonably indicate the results of Arrowhead Utility Company's operations in the near future.
3. A rate of return of 9.84 percent on the adopted rate base of \$2,597,300 for the test year 1977, is reasonable. Such a rate of return will provide a return on equity of approximately 10.7 percent.
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 at the 9.84 percent rate of return for the test year 1977 is expected to provide increased revenues of approximately \$367,000 (70.0 percent) for AUC's general metered service, metered untreated, and public fire protection services over those rates authorized in Interim Decision No. 85794.

6. Staff's proposed Option B rate form should be adopted for consistency with our policies relating to lifeline rates and conservation of natural resources.

7. AUC should reduce its plant balance by \$152,180 by reducing each plant account by the percentage of total adjustment to total plant charge \$15,519 to Account No. 250 Depreciation Reserve in the same manner and charge Account No. 414, Miscellaneous Debits to Surplus \$136,661, and charge \$22,135 to Account No. 241, Advances for Construction, and credit \$22,135 to Account No. 223, Payables to Associated Companies.

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, Arrowhead Utility Company is authorized to file the new and revised rate schedules attached to this order as Appendix A and concurrently to cancel and withdraw presently effective schedules for the general metered service, metered untreated service, and public fire protection service. 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 new and revised schedules shall apply only to service rendered on and after the effective date hereof.

2. Within ninety days after the effective date of this order Arrowhead Utility Company shall make the adjustments set forth in Finding 7 and submit copies of these adjustments to the Commission staff for review.

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

Dated at San Francisco, California, this 1st day of JUNE, 1977.

*I will file
a dissent.
William Quous Jr.*
Commissioner

Robert Balmain

President

Vernon L. Stinson
Michael D. Gualle

Commissioners

APPENDIX A
Page 1 of 6

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service except untreated water service under Schedule No. 3M.

TERRITORY

Lake Arrowhead and vicinity, San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter Per Bimonthly Period</u>	
First 1,000 cu.ft. or less	\$ 18.50	(I)
Over 1,000 cu.ft., per 100 cu.ft.	1.454	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 18.50	(I)
For 3/4-inch meter	26.00	
For 1-inch meter	42.00	
For 1 1/2-inch meter	78.00	
For 2-inch meter	115.00	
For 3-inch meter	200.00	
For 4-inch meter	320.00	
For 6-inch meter	630.00	

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

(Continued)

Schedule No. 1

GENERAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

1. Service will be provided on a continuous basis with a minimum (T)
period of 12 months for each applicant.

2. The opening bill for service will be equal to the minimum
charge for six months payable in advance. All water use in excess of
the bimonthly quantity allowable under the minimum charge will be
additionally billed on a bimonthly basis for those first six months.
When applicant has received service for six consecutive months, billing
will be rendered on a bimonthly basis for both the minimum charge and
excess water.

3. If it is not possible to read meters during the winter months
due to weather conditions, estimated bills may be rendered. Normal
billing is on a bimonthly basis. (T)

Schedule No. 3M

METERED, UNTREATED WATER SERVICE

APPLICABILITY

Applicable to all metered, untreated water service.

TERRITORY

Lake Arrowhead and vicinity, San Bernardino County.

RATES

	<u>Per Year</u>	
First 100 acre-feet or less	\$7,500.00	(I)
Over 100 acre-feet, per acre-foot	75.00	(I)

SPECIAL CONDITIONS

1. Each customer when desiring service shall notify the Company at least 24 hours in advance, indicating the date and hour of commencement of such service.

2. A monthly charge of \$500.00 one-twelfth of the initial charge per year, will be due and payable on the first day of each month. Charges for deliveries in excess of the 100 acre-feet during the yearly period will be monthly. (I)

3. Each customer serviced under this schedule will notify the Company, in writing, by March 15 of each year of his program for irrigating during the coming season.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Lake Arrowhead and vicinity, San Bernardino County.

RATE

Per Month

For each inch of diameter of service connection \$2.00

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

(Continued)

APPENDIX A
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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS—Contd.

4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector-type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water, and the cost paid by the applicant. Such payment shall not be subject to refund.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

Lake Arrowhead and vicinity, San Bernardino County.

RATES

	<u>Per Bimonthly Period</u>	
For each hydrant on six-inch or larger main	\$6.00	(I)
For each hydrant on smaller than six-inch main	4.00	(I)

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.

2. Relocation of any hydrant shall be at the expense of the party requesting relocation.

(D)

A. 57190 - D. 87398: California Water Service Company

A. 55895 - D. 87399: Arrowhead Utility Company

WATER RATE INCREASE

COMMISSIONER WILLIAM SYMONS, JR., DISSENTING

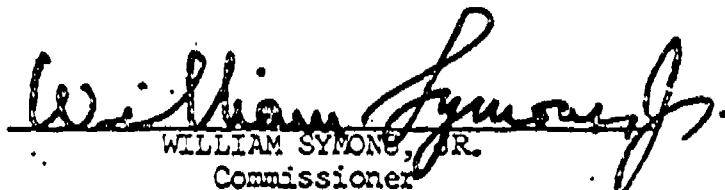
Water as a Loss-Leader? It is silly to introduce "give-away" water rates at a time when Californians are experiencing the worst drought in recorded history.

I dissent from the Commission majority which today pursues a theory ignoring costs of water service. Customers of these water companies will have the prices they pay "restructured" so that "lifeline" can be installed -- a sort of welfare system financed by increasing some customers' water bills at the expense of other customers. Welfare belongs in the Welfare and Institutions Code -- not in our water bills.

Need Not Established. No case for financial assistance has been put forward or examined, either in water utilities before us, or any other Commission investigation. It is a plain fact that water prices have not escalated like energy prices have. Water prices are modest. There is no argument for the necessity of welfare via raising prices to non-benefited utility ratepayers. Further, unlike natural gas or electricity, there is no legislative mandate for water subsidies.

Contrary to Conservation. A maximum conservation effort is essential in the face of our severe water shortage. To relieve any class of water users of their fair share of the increased costs to serve them water, has the counter-productive effect of preventing natural price signals to encourage reduced consumption. "Lifeline" freezes the first 500 cubic feet of water used for all residential customers. So this confused price signal is sent to all residential users. This is the substitution of nonsense for public policy.

San Francisco, California
June 1, 1977


WILLIAM SYMONS, JR.
Commissioner