

Decision No. 44545

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF
 SATICOY WATER COMPANY,
 a corporation,
 FOR AUTHORITY TO ADJUST RATES FOR
 WATER SERVICE AND FOR AUTHORITY TO
 ENTER INTO CONTRACT REGARDING MUTUAL
 USE OF FACILITIES WITH MUTUAL WATER
 COMPANY.

Application No. 30529

Stephen M. Farrand, attorney for applicant;
Squires Estes, protestant; Sewell Knapp, for
Montalvo Civic Improvement Association,
 protestant.

O P I N I O N

This is an application by Saticoy Water Company for authority to increase water rates in the unincorporated communities of Saticoy, Montalvo, and adjacent territory in Ventura County, California, which it claims is necessary to meet operating expenses and to provide a reasonable return on the value of the properties. Applicant also requests authorization to enter into an agreement with Alta Mutual Water Company covering exchange of water and the joint use of certain facilities of applicant and those owned by Alta Mutual Water Company.

A public hearing was held on this matter in Saticoy on June 20, 1950, before Examiner Crenshaw.

Saticoy Water Company was incorporated May 10, 1897, for the purpose of supplying water for domestic purposes to a number of farmers and other landholders residing about 9 miles east of Ventura, and for

the further purpose of furnishing water for sprinkling the county road. Water for irrigation purposes in this area was and still is being furnished by Alta Mutual Water Company which owns the outstanding stock of Saticoy Water Company.

Applicant at present is supplying water for domestic purposes to 678 consumers in the unincorporated communities of Saticoy, Montalvo and adjacent territory in Ventura County.

The present water supply is furnished by two wells, each 12 inches in diameter, one located in Saticoy, drilled in 1940, and one in Montalvo, drilled in 1948.

The pumping equipment at Saticoy consists of a Peerless pump driven by a 40 hp motor. The Montalvo pumping equipment consists of a Peerless pump driven by a 20 hp motor.

The distribution facilities consist of approximately 130,000 feet of mains, ranging in size from 3/4 inch to 8 inches in diameter. The storage facilities consist of four concrete reservoirs, two of which are privately owned and leased by applicant, one owned by applicant, and the other is owned by Alta Mutual Water Company with whom Saticoy Water Company has a joint use agreement. The combined storage capacity of the four reservoirs is 1,760,000 gallons.

Applicant's own source of supply is augmented by an exchange of water with Alta Mutual Water Company, under the conditions set forth in the agreement which applicant has requested authorization to execute with Alta Mutual Water Company.

Water is pumped from the Alta Mutual Water Company's wells near Saticoy into its 20-inch diameter pipe line in Wells Road; thence into the Alta Reservoir. Applicant's well at Saticoy likewise discharges into this same 20-inch pipe line. The joint use of this 20-inch pipe line is of benefit to both companies. Similarly, other pipe lines owned by Alta Mutual Water Company are jointly used by both

companies, and when applicant's water production facilities cannot meet peak loads, Alta Mutual Water Company furnishes to applicant the additional water from its reservoirs or wells.

Applicant's water system is growing steadily due to the subdividing of former agricultural acreage for residential purposes. From 1945 to 1948 the number of new services increased at an average rate of 30 services per annum. For the first 11 months of 1949 a total of 90 new services was installed and it is estimated that the number of services will exceed 750 by the end of 1950.

While some of the customers from Montalvo appeared to protest the granting of the increase in rates to applicant, it developed that applicant had explained the proposed rates to the satisfaction of the interested parties during the progress of the hearing and no opposition was manifested to the granting of the application.

The present rates which have been in effect since November 1, 1925 are primarily on an annual basis and to this extent are out of line with rates of other similar public utility water companies. The domestic household metered rate is \$18 per annum, payable in advance semiannually on May 1 and November 1 each year, entitling the user to 36,000 gallons of water; the next 36,000 gallons of water is 20 cents per 1,000 gallons; and all over 72,000 gallons, at 10 cents per 1,000 gallons per annum.

The proposed meter rates provide a \$2 monthly minimum charge. Charges for use in excess of the minimum are reduced through six subsequent blocks to 6 cents per 100 cubic feet for all use over 100,000 cubic feet. The minimum charge is determined by the size of the meter and varies from \$2 to \$8 per month. In addition to the meter rates, there are proposed flat rates for fire hydrants varying from 50 cents to \$3 per hydrant per month. Certain flat rates have been set up for water service for construction work and there is also a haulage rate

where water is delivered to the consumer's container such as tanks for orchard spraying and other purposes.

Until recently the books of applicant were not kept in accordance with the classification prescribed by this Commission. In bringing the books into compliance with the Commission's requirements, applicant had an inventory and appraisal made of its properties, based upon actual vouchers that were available and estimated costs during periods for which vouchers were not obtainable.

A review of applicant's appraisal was made by the Valuation Division of this Commission and the results, as indicated, were found to be reasonable except for the item of Land. Applicant's appraisal of land was based upon the estimated present market value, while the Valuation Division of this Commission held that the original cost of the land should have been used to conform to the original cost as all other items were on a historical cost basis.

The appraisal of applicant's properties, as prepared by Mr. Everett L. Clark, Consulting Engineer, was submitted as applicant's Exhibit No. 5, and showed the total fixed capital as of December 31, 1949 to be \$148,154.81, which includes lands at claimed present market values.

In its Exhibit No. 8 applicant submitted the estimated earnings for the year 1950 based upon the present and proposed rates. The rate base which applicant determined in Exhibit No. 8 was \$180,000, this amount being obtained from applicant's Exhibit No. 5.

Applicant estimated that for 1950, revenue for water sales under the present rates would amount to \$24,665 and that the operating expenses would be \$22,246, leaving a net revenue of \$2,419, or a rate of return of 1.34%. Using the proposed rates, applicant estimated the gross operating revenue to be \$35,198 and the operating expenses to be \$25,242, leaving a net revenue of \$9,956, or a rate of return of 5.53% on an estimated undepreciated rate base of \$180,000.

An engineer of this Commission staff introduced a report on the operations of applicant for 1949 and an estimate for 1950, as set forth in Exhibit No. 14. The rate base for 1949, used by the engineer for the Commission, was developed by using the fixed capital as reported on applicant's books, and the rate base for 1950 was developed from the appraisal as submitted by applicant in Exhibit No. 5 by adjusting lands to reflect the original cost.

The following is a summary of the earnings using 5% sinking fund depreciation:

	1949		1950	
	<u>Recorded Present Rates</u>	<u>Estimated Proposed Rates</u>	<u>Estimated Present Rates</u>	<u>Estimated Proposed Rates</u>
Revenue	\$20,964	\$25,832	\$25,387	\$31,490
Operating Expenses	<u>21,269</u>	<u>21,565</u>	<u>24,065</u>	<u>24,982</u>
Net Income	\$ (305)	\$ 4,267	\$ 1,322	\$ 6,508
Average Undepreciated Rate Base	\$117,709	\$120,409	\$137,326	\$140,026
Rate of Return	--	3.54%	.96%	4.65%

(Red Figure)

While the amounts set forth in the valuation and appraisal as submitted by applicant have been modified and used in this proceeding, it is not to be construed that they are being approved by the Commission at this time.

From the record it appears that applicant is entitled to relief in its rates for water service and the order will grant rates which will be substantially the same as those submitted by applicant.

Applicant also has requested authorization to enter into an agreement, dated February 25, 1950, with Alta Mutual Water Company, for the joint use of facilities, for exchange of water between the two companies, and for charges for applicant's services and facilities made available to Alta Mutual Water Company's members. The agreement provides for the allocation of costs of facilities owned by Alta

Mutual Water Company and used jointly with applicant, based on a use factor as set forth in the agreement, which results in a charge to applicant of \$2,142, or a MONTHLY CHARGE OF \$178.50. This charge provides for the use of the Alta Reservoir, the 20-inch steel pipe line, the lateral pipe line running south from Teffertiller Reservoir, the concrete lateral running from Alta Reservoir to Corbett Reservoir, and standby wells owned by Alta Mutual Water Company.

There are certain members of the Alta Mutual Water Company who are so located that it is more desirable to deliver water through facilities belonging to applicant, and the agreement provides that Alta Mutual Water Company will pay to applicant an annual charge for this service plus a unit charge per miner's inch day.

Until measuring devices are installed the exchange of water is to be determined on the basis of the electric energy consumed at each of the wells. The amount of water pumped is allocated to each company and any excess water may be returned to the other party during certain months of the year. If Alta Mutual Water Company owes water to applicant the water will be returned during the period from May 1 to October 31. If applicant owes water to Alta Mutual Water Company the water will be returned during the period November 1 to April 30 of the following year.

The term of this contract is for one year and is renewable each year automatically unless one of the parties gives notice in writing to the other at least 60 days prior to the close of the termination period, whereupon the contract will be cancelled.

This agreement appears to be in the public interest and the order will authorize its negotiation by applicant.

O R D E R

Saticoy Water Company having applied to this Commission for an order authorizing increases in its water rates, and for authorization

to consummate a contract dated February 25, 1950, between it and Alta Mutual Water Company, covering the joint use of facilities, exchange of water, and service rendered to members of the Alta Mutual Water Company, a public hearing having been held and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increase in rates authorized herein is justified, that the agreement is reasonable, and that authorization should be granted, therefore,

IT IS HEREBY ORDERED as follows:

Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, and after not less than five (5) days' notice to the Commission and the public, to make said rates effective by billing periods for service rendered on and after the 31st day of August, 1950.

IT IS HEREBY FURTHER ORDERED that applicant be and it is authorized to carry out the terms and conditions of the written agreement, dated February 25, 1950, with Alta Mutual Water Company under the terms, charges, and conditions stated therein, subject to the following conditions:

1. Applicant shall file with this Commission within thirty (30) days after the effective date of this order, two certified copies of the agreement as executed, together with a statement of the date on which the contract is deemed to become effective.

2. Applicant shall notify the Commission of the date of termination of said agreement within thirty (30) days from and after the date of termination.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 18th day of July, 1950.

R. E. Anderson
Justice J. Calves
Walter H. Powell
Harold A. Kilo
Kenneth Potts
Commissioners.

Schedule No. 1

METER RATES - GENERAL

APPLICABILITY

Applicable to metered water service for household, domestic, commercial and industrial purposes.

TERRITORY

Entire area of service within and in the vicinity of Saticoy and Montalvo, and adjacent area, in Ventura County, California, as shown on the map included in the Tariff Schedules of Company.

RATES

Minimum Charges:	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter	\$2.00
For 3/4-inch meter	3.00
For 1-inch meter	4.00
For 1 1/2-inch meter	5.00
For 2-inch meter	6.00
For 3-inch meter	8.00

Quantity Rates:

First 1,000 cu.ft. or less	\$2.00
Next 4,000 cu.ft., per 100 cu.ft.20
Next 5,000 cu.ft., per 100 cu.ft.15
Next 10,000 cu.ft., per 100 cu.ft.10
Next 30,000 cu.ft., per 100 cu.ft.08
Next 50,000 cu.ft., per 100 cu.ft.07
Over 100,000 cu.ft., per 100 cu.ft.06

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

Water meters, at the option of the Company, normally may be read at intervals of approximately two months instead of one month. The charge for service rendered in each two-month period will be computed by doubling the applicable monthly minimum charge and the number of cubic feet to which each block rate is applicable on a monthly basis.

Schedule No. 2

PUBLIC FIRE HYDRANT RATES

APPLICABILITY

Applicable to all fire hydrant water service supplied a duly organized Ventura County Fire Protection District or similar public body or organization.

TERRITORY

Entire area of service within and in the vicinity of Saticoy and Montalvo, and adjacent area, in Ventura County, California, as shown on the map included in the Tariff Schedules of Company.

RATES

Per Hydrant
Per Month

For any type fire hydrant installed and maintained at the expense of the Company and connected for service.

(a) From a main less than 4-inch diameter.....	\$0.50
(b) From a 4-inch main, risers 3-inch diameter, or less....	1.00
(c) From a 6-inch main, risers 3-inch diameter, or less....	1.50
(d) 4-inch x 2 $\frac{1}{2}$ -inch single outlet, from 6-inch main.....	2.00
(e) 4-inch x 2 $\frac{1}{2}$ -inch single outlet, from 8-inch main.....	2.50
(f) 4-inch x 2 $\frac{1}{2}$ -inch double outlet, from 6-inch main.....	2.50
(g) 4-inch x 2 $\frac{1}{2}$ -inch double outlet, from 8-inch main.....	3.00

Schedule No. 3

HAULAGE RATESAPPLICABILITY

Applicable only to sales from surplus waters for haulage in tanks or containers furnished and transported by the customer for orchard spraying or similar and other purposes and subject to consumer's accepting delivery of said surplus waters under specified conditions and limitations determined by Company as applicable following each request for service.

TERRITORY

Entire area of service within and in the vicinity of Saticoy and Montalvo, and adjacent area, in Ventura County, California, as shown on the map included in the Tariff Schedules of Company.

RATES

	<u>Per Load</u>
Minimum Charge:	
For each time a tank or container is loaded to its capacity.....	\$0.20
Quantity Rates:	
First 400 gallons or less, minimum.....	.20
Over 400 gallons, per 100 gallons.....	.05

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

Schedule No. 4

SPECIAL FLAT RATESAPPLICABILITY

Applicable to flat rate water service for construction work.

TERRITORY

Entire area of service within and in the vicinity of Saticoy and Montalvo, and adjacent area, in Ventura County, California, as shown on the map included in the Tariff Schedules of Company.

FLAT RATES

1. For water for settling backfill in ditches and trenches:
 - (a) per cubic foot of excavation per lineal foot of trench.. \$0.001
 - (b) minimum charge per lineal foot of trench..... .01
 - (c) minimum charge per service connection or job..... 1.00
2. For water used for mixing cement concrete, all types of building construction, including water for curing, per barrel of cement..... .15
3. For water for concrete street curbing construction, per 100 lineal feet of curbing..... .30
4. For water for concrete floor or sidewalk construction, per 100 square feet of floor or sidewalk..... .25
5. For water for brick construction purposes, including wetting brick, per 100 brick laid..... .25
6. For water for plastering interior building walls, per 100 square yards of plastered surface..... .35
7. For water for all other building purposes using lime, per barrel of lime..... .15
8. For water for settling graded streets of average width, per 100 lineal feet..... 1.00
9. For use of a fire hydrant by a contractor or builder, when applicable ordinances and rules and regulations of the County of Ventura permit such use, not including water service, per hydrant connection..... 1.00

Consumers using water in large or variable quantities for construction purposes, may be supplied by temporary metered service, at the option of the utility.