

ORIGINALDecision No. 49255

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of the Bolsa Knolls Water Company,)
(not incorporated), Clayton B. Neill;)
owner, for authority to increase)
water rates in the unincorporated)
territory served near Salinas,)
Monterey County, California:)

Application No. 34280

Stanley Pedder, for applicant.
C. V. MacCament, in propria persona,
interested party.
Bernard Corden, for the Commission staff.

O P I N I O NNature of Proceeding

Clayton B. Neill, owner of the Bolsa Knolls Water Company, seeks authority to increase his rates for water service supplied in an unincorporated area some 4 miles north of Salinas, Monterey County:

Public Hearing

A public hearing was held before Examiner Silverhart in Salinas on September 15, 1953, at which time the matter was submitted.

Description of Applicant's System

Operations were begun pursuant to a certificate of public convenience and necessity in 1941. Applicant acquired the system in August 1952: It consists of two wells, two automatically controlled deep well turbine pumps, and approximately 7,760 feet of mains varying in size from 2 inches to 6 inches. Water is pumped from one well into a 10,000-gallon surface storage tank and thence boosted into the distribution mains. Water from the other well is

moved directly into a 1,000-gallon pressure tank. Applicant testified that during the year last past he caused the pressure tank and metering equipment to be installed, the pumping equipment to be replaced or overhauled, and steel fence erected around the wells. On August 31, 1953, applicant served 129 consumers, all on a metered basis.

Present and Proposed Rates

Flat rate schedules presently on file are to be cancelled. Presently effective and proposed meter rates follow:

<u>RATES</u>	<u>Per Meter per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$1.50	\$2.40
For 3/4-inch meter	2.00	-
For 1-inch meter	2.75	3.60
For 1-1/2-inch meter	4.00	6.10
For 2-inch meter	6.00	8.60
For 3-inch meter	-	12.00
For 4-inch meter	-	18.00

Quantity Rates:

First 600 cu.ft. or less	\$1.50	-
Next 1,900 cu.ft., per 100 cu.ft.	.20	-
Next 3,500 cu.ft., per 100 cu.ft.	.15	-
Over 6,000 cu.ft., per 100 cu.ft.	.10	-
First 600 cu.ft., per 100 cu.ft.	-	\$2.40
Next 400 cu.ft., per 100 cu.ft.	-	.30
Next 2,000 cu.ft., per 100 cu.ft.	-	.25
Next 3,000 cu.ft., per 100 cu.ft.	-	.20
Over 6,000 cu.ft., per 100 cu.ft.	-	.15

During the course of the hearing applicant tendered a schedule of proposed meter rates somewhat higher than those above set forth. As applicant failed to give any notice in connection therewith, such schedule will not be considered further in this proceeding.

Earnings, Expenses and Rate Base

Applicant placed in evidence a balance sheet as of July 31, 1953 (Exhibit 1), and a profit and loss statement

containing recorded revenues and expenses for the 12-month period from August 1, 1952, to July 31, 1953 (Exhibit No. 2).

A report prepared by the Commission's engineer setting forth results of the operation of the system under present and proposed rates was received in evidence as Exhibit No. 8. Rates of return in Exhibit No. 8 were developed by the straight-line remaining life depreciation method and the use of a depreciated rate base.

A summary of the development of fixed capital in Exhibit No. 8 by the Commission's engineer follows:

<u>Fixed Capital</u>	Company	Commission Engineer	
	Appraisal Dec. 31, 1952	Adjusted Dec. 31, 1952	Estimated Dec. 31, 1953
Land	\$1,146	\$1,146	\$1,146
Buildings	3,401	3,401	3,410
Wells	944	906	906
Pumping Equipment	2,654	2,655	2,655
Distribution Mains	9,002	9,274	9,516
Services	2,940	2,940	3,491
Distribution Tanks	2,201	2,201	2,201
Meters	2,525	2,525	4,026
Misc. Distribution Equipment	476	476	525
Total Capital (Undepreciated)	25,289	25,524	27,876

The recorded and adjusted results of operations during 1952 and part of 1953 and as estimated for the entire year of 1953,

as presented by applicant and evolved by the Commission engineer are summarized as follows:

Item	8-1-52 : 8-1-52 :		Commission Engineer		Company			
	to	to	Year 1952	Year 1953	Year 1953	Year 1953		
	12-31-52	7-31-53	Adjusted	Estimated	Estimated	Estimated		
	Recorded	Recorded	Pro-	Pro-	Pro-	Pro-		
	Present	Present	posed	posed	posed	posed		
	Rates*	Rates*	Rates	Rates	Rates	Rates		
Oper. Revenue	\$1,510	\$4,217	\$4,430	\$6,550	\$5,000	\$7,350	\$4,010	\$5,985
Oper. Expenses	2,388	4,639	4,004	4,004	4,010	4,010	3,870	3,870
Taxes	161	391	180	533	430	910	490	490
Depr. Expenses	345	871	651	651	813	813	830	830
Total Operating Expenses	<u>2,894</u>	<u>5,901</u>	<u>4,835</u>	5,188	<u>5,253</u>	5,733	<u>5,190</u>	5,190
Net Revenue	<u>(1,384)</u>	<u>(1,684)</u>	<u>(405)</u>	1,362	<u>(253)</u>	1,617	<u>(1,180)</u>	795
Composite Annual Depr. Rate			3.18%	3.18%	3.18%	3.18%		
Average Depr. Rate Base	\$18,280		\$18,760	\$18,760	\$23,580	\$23,580	\$23,166	\$23,166
Rate of Return				7.26%		6.85%		3.43%

(Red Figure)

* Rounded to nearest dollar

Applicant seriously questioned but one item in the engineer's report, that of operating revenue estimated for the year 1953. The record shows that the engineer constructed such estimate on the basis of reported meter revenues for 1953 and by the application of meter rates for the entire year to an average of 128 consumers. The engineer's estimates will be adopted.

Conclusions and Findings

The record demonstrates that the current rates will not permit of a profitable operation. On this record we find that the rate of return of 6.85 per cent on the 1953 rate base of \$23,580, which is here adopted, is reasonable and that the increased rate is justified.

ORDER

Clayton B. Neill having applied to the Commission for an order authorizing increases in water rates and charges, a public hearing having been held, and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates in so far as they differ from these herein prescribed are unjust and unreasonable, therefore,

IT IS ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedule of rates and charges shown in Appendix A attached hereto and, on not less than five days' notice to the Commission and the public, to make said rates and charges effective for service rendered on and after December 1, 1953.

IT IS FURTHER ORDERED that:

1. Applicant shall file, within thirty days after the effective date of this order, with this Commission, in conformity with General Order No. 96, four copies of a tariff service area map.
2. Applicant shall file, within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 100 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.
3. Applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicant shall use a composite annual depreciation rate of 3.18 per cent of the depreciable plant until further review supports modification of this composite rate; further, applicant shall review such accruals when major changes in plant composition occur and for each plant account at

intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

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

Dated at Los Angeles, California, this 27th day of March, 1953.

R.R. Dutton
President

William J. Cullen

Kenneth Patten

John E. Mitchell

Donna Duggins
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within Bolsa Knolls, San Juan Acres and Abel Tract subdivisions and adjacent territory located in an unincorporated area four miles north of Salinas, Monterey County.

RATES

Quantity Rates:

Per Meter
per Month

First	600 cu.ft. or less	\$2.40
Next	400 cu.ft., per 100 cu.ft.30
Next	2,000 cu.ft., per 100 cu.ft.25
Next	3,000 cu.ft., per 100 cu.ft.20
Over	6,000 cu.ft., per 100 cu.ft.15

Minimum Charge:

For	5/8 x 3/4-inch meter	\$2.40
For	1-inch meter	3.60
For	1-1/2-inch meter	6.10
For	2-inch meter	8.60
For	3-inch meter	12.00
For	4-inch meter	18.00

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