

ORIGINALDecision No. 50434

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ALWIN O. FITTJE and MARGURETTE FITTJE,)
 doing business under the firm name and) Application No. 35222
 style of BIOLA WATER CO., a public)
 utility water system, to increase and)
 adjust rates for water service.)

Orville A. Schulenberg and Crossland & Crossland
 by Robert S. Crossland, for applicants.
Clyde F. Norris, for the Commission staff.

O P I N I O NNature of Proceeding

Alwin O. Fittje and Margurette Fittje, owners of the Biola Water Co., seek authority to increase the rates for water service supplied in and about the unincorporated town of Biola, Fresno County.

Public Hearing

A public hearing was held before Examiner Carl Silverhart in Biola.

Description of System

Water is obtained from a 10-inch well. Its depth to water is approximately 45 feet. Water is pumped from the well by a deep-well turbine pump equipped with a 15-hp electric motor. A 1,500-gallon pressure tank maintains operating pressure between limits of 28-42 psi. Water is delivered through approximately 13,000 feet of mains varying in size from 1-1/2 inches to 5 inches in diameter. As of March, 1954, applicants served some 145 consumers; all on a flat rate basis.

Between the pump and the pressure tank, the applicants utilize a sand trap with a 3-inch flashing valve to remove sand from the water. This method has been unsatisfactory. Therefore, applicants plan either to drill a new well at an estimated cost of \$2,500 or to develop the existing well at an approximate cost of \$1,500 in order to provide water free from sand.

Present and Proposed Rates

Although none of the consumers connected to the system are presently being served on a metered basis, the company has on file a meter rate schedule, under which the monthly minimum charge is \$1.25 per meter and the quantity rates are \$0.25 per 100 cubic feet for the first 1,000 cubic feet, and \$0.20 per 100 cubic feet for consumption over 1,000 cubic feet.

Flat rate billings are based upon a rate schedule which provides for a monthly minimum charge of \$1.50 per service connection. This flat rate schedule contains some 23 individual charges under 13 general classifications of service. Approximately one half of the consumers pay an amount of \$2.00 per month, such charge being composed of a basic residence rate of \$1.25 plus charges for other facilities.

Following is the schedule of flat rates as proposed in the application:

Proposed Flat Rate Schedule

	<u>Per Month</u>
No. 1 Houses and flats without toilet or bath, 5 rooms or less, including up to 700 sq. ft. lawn or garden	\$2.50
A. Each additional room40
No. 2 Houses and flats with toilet and bath, 5 rooms or less, including up to 700 sq. ft. lawn or garden	3.00
A. Each additional room40
No. 3 Blacksmith shop, machine shop, lumber yard, printing office, bakers, grocery store	2.00

	<u>Per Month</u>
No. 4 Restaurants, ice cream parlors	\$3.00
No. 5 Barber shop, per chair	2.00
No. 6 Industrial, fire department, filling stations, schools, according to use	4.50 to 15.00
No. 7 Minimum rate unless specified in above	2.50

Applicants propose to retain a schedule of meter rates on file and have requested the Commission to authorize such a schedule that will be comparable to the schedule of flat rates which will be authorized in this proceeding.

Earnings, Expenses and Rate Base

Applicants placed in evidence a balance sheet as of December 31, 1953 (Exhibit 1) and have heretofore filed herein a profit and loss statement containing revenues and expenses for the year ending December 31, 1953.

A report prepared by a Commission staff engineer setting forth results of the operation under present and proposed rates was received in evidence as Exhibit No. 6. Rates of return in Exhibit No. 6 were developed by the straight-line remaining life depreciation method and the use of a depreciated rate base.

Fixed capital as summarized in Exhibit No. 6 is as follows:

	<u>December 31, 1953</u>		<u>December 31, 1954</u>
	<u>Recorded</u>	<u>Adjusted</u>	<u>Estimated by Engineer</u>
Organization	\$ 150	\$ 150	\$ 150
Landed Capital	1,100	1,100	1,100
Pumping Station Building	125	125	125
Wells	325	325	325
Pumping Equipment	1,672	1,872	1,872
Distribution Mains	11,650	10,875	11,025
Distribution Tanks	500	0	0
Services	0	775	810
General Office Equipment	100	100	100
General Shop Equipment	525	525	525
Total Fixed Capital (Undepreciated)	16,147	15,847	16,032

The recorded and adjusted results of operations during 1953 and as estimated for the year 1954, as presented by the applicants and the Commission's engineer, are summarized as follows:

	Company		Commission Engineer			
	Year 1953		Year 1953		Year 1954	
	Recorded	Proposed Rates	Adjusted Present Rates	Proposed Rates	Estimated Present Rates	Proposed Rates
<u>Oper. Revenues</u>						
Total Earnings	\$3,546.30	\$ 5,643	\$ 3,789	\$ 5,631	\$ 3,789	\$ 5,631
Tot. Oper. Exps.	4,725.42	4,975	3,935	4,278	4,064	4,402
Net Revenue	(1,179.12)	668	(146)	1,353	(275)	1,229
Average Depr. Rate Base	12,475.00	11,666	12,451	12,291	12,273	12,105
Rate of Return	-	5.7%	-	11%	-	10.2%

(Red Figure)

The difference between the figures presented by applicants and the Commission's engineer as to the items of total operating expenses and average depreciated rate base for the year 1953 under proposed rates is caused principally by the failure of applicants to have made a necessary deduction from the depreciation reserve for a retirement and by applicants' use of an excessive rate in computing depreciation. Applicants did not submit any estimates as to the results of operations under present and proposed rates for the year 1954. Applicants did not take exception to any part of the engineer's report. The engineer's figures will be accepted.

Conclusion and Findings

A rate of return at the rates proposed by applicants would be greater than is considered reasonable for this utility. The rates authorized in the order which follows are designed to produce gross revenues of \$5,150 which, with a total operating expense of \$4,300, should result in a net revenue of \$850 and a return of 7 per cent on a depreciated rate base of \$12,150 for the year ending 1954. Such depreciated rate base is reasonable and is hereby adopted.

We find the rates herein authorized and the rate of return of 7 per cent reasonable for this utility.

Recommendations

The Commission's engineer recommended that applicants employ the straight-line remaining life method of computing depreciation. Such recommendation will be incorporated in the order which follows. The engineer also recommended that applicants file meter rates on a basis comparable with the authorized flat rates. The rates herein authorized give effect to such recommendation. The engineer further recommended that applicants make full use of their rules and regulations which provide for payment of bills in advance and discontinuance of service in the event of nonpayment of bills in order to keep uncollectible accounts to a minimum. Applicants are hereby directed so to do.

O R D E R

Alwin O. Fittje and Margurette Fittje, 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 those herein prescribed are unjust and unreasonable, therefore,

IT IS ORDERED that applicants are authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedules 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 September 10, 1954.

IT IS FURTHER ORDERED that:

1. Within thirty days after the effective date of this order, applicants shall file with this Commission, in conformity with General Order No. 96, four copies of a tariff service area map.
2. Applicants 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 applicants.
3. Applicants shall determine the accruals for depreciation by dividing the original cost of plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant; applicant shall review the 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 this Commission.

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

Dated at San Francisco, California, this 17th day of August, 1954.

John E. Mitchell President
Justin J. Calver
Samuel P. Patten
Gene Deogans

 Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Biola, Fresno County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 700 cu.ft. or less	\$2.50
Next 1,300 cu.ft., per 100 cu.ft.....	.20
Next 8,000 cu.ft., per 100 cu.ft.....	.15
Over 10,000 cu.ft., per 100 cu.ft.....	.08

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.50
For 3/4-inch meter	3.00
For 1-inch meter	4.00
For 1-1/2-inch meter	6.50
For 2-inch meter	9.00
For 3-inch meter	16.50
For 4-inch meter	23.50

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

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Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all water service rendered on a flat rate basis.

TERRITORY

The unincorporated community of Biola, Fresno County.

RATES

	<u>Per Service Connection per Month</u>
1. For each residence, apartment, rooming or lodging house of five rooms or less, exclusive of bath or toilet facilities, including not over 1,000 square feet of irrigated area	\$2.10
a. For each additional dwelling unit of five rooms or less on premises supplied from the same service connection	1.50
b. For each bath tub or shower35
c. For each flush toilet35
d. For each additional 100 square feet of irrigated area in excess of 1,000 square feet05
2. For each public hall, lodge, church, or library	1.25
3. For each store, shop, office, or bank	2.25
4. For each restaurant, saloon, soft drink parlor, or drug store with soda fountain.....	2.75
5. For each garage or gasoline service station...	2.50
a. Additional for each wash rack.....	2.50

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Schedule No. 2

GENERAL FLAT RATE SERVICE
(Continued)

RATES (Continued)

	<u>Per Service Connection per Month</u>
6. For each theater	\$3.75
7. For each dwelling unit of five rooms or less on premises supplied from the same service connection as in Items 2, 3, 4, 5, and 6 of this schedule	1.50
8. For each packing house	5.00
9. For each school	15.00
10. For all water delivered to tank wagons or trucks from hydrants or other outlets:	
<u>Unit Rate:</u>	<u>Per Delivery</u>
Per 100 gallons	\$0.05
<u>Minimum Charge:</u>	
For any service under this rate.....	1.00

SPECIAL CONDITIONS

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

2. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service, and must be continued for not less than 12 months before it may again be changed to flat rate service.

3. Where water is to be obtained from hydrants or other outlets under Item 10 of schedule, a written permit must first be obtained from the company.