

ORIGINAL

Decision No. 51065

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 PACIFIC GAS AND ELECTRIC COMPANY, a )  
 corporation, for authority to )  
 increase rates applicable to water )  
 service in and near Avenal, Kings )  
 County. )

Application No. 34391  
 (Amended)

R. H. Gerdes, F. T. Searls, W. E. Johns,  
 for applicant.

Don Smith, for the Avenal Chamber of Com-  
 merce; W. D. Wise, for the Avenal Garden  
 and Beautification Club; Walter J. Ziegler,  
 for Reef-Sunset Elementary School District;  
W. H. Reilly, for Lemoore Union High School  
 District, protestants.

Mary Moran Pajalich, John D. Reader, Charles W.  
Mors, for the Commission staff.

## O P I N I O N

This proceeding was commenced by the filing of an applica-  
 tion upon behalf of Coast Counties Gas and Electric Company. Pur-  
 suant to the authority granted by this Commission August 10, 1954,  
 Coast Counties Gas and Electric Company ceased its separate corporate  
 existence and was merged into Pacific Gas and Electric Company.

By order dated October 14, 1954 Pacific Gas and Electric  
 Company was substituted for Coast Counties Gas and Electric Company  
 as applicant. Pacific Gas and Electric Company, by this application  
 filed May 26, 1953 and as subsequently amended, seeks authority to  
 increase rates and charges for water service rendered in the unincor-  
 porated community of Avenal, Kings County and institute therein rules  
 and regulations generally applicable to its water systems.

A public hearing was held before Examiner Carl Silverhart  
 in Avenal on November 4, 1954.

The rates presently in effect are contained in one schedule and include flat, meter, and fire hydrant rates. It is proposed to set up a separate schedule for general metered service and one for public fire hydrant service. Applicant proposes to discontinue the present flat rate as there are no customers being supplied thereunder. The discount of 10 per cent applying for water service to Avenal Elementary School, Avenal High School and County Fire Station would also be discontinued under applicant's proposal.

As of December 31, 1953, there were 1,236 domestic and commercial customers, four special discount customers and service was furnished to 108 fire hydrants.

A comparison of present and proposed basic rates follows, present rates being substantially the same as those in effect since July, 1936:

Item 1.

General Service  
(Including Residential, Commercial and Industrial Uses)

	<u>Present Rates</u>	<u>Proposed Rates</u>
<b>Monthly Quantity Rates:</b>		
First 500 cu.ft. or less	\$ 2.00	\$ 2.30
Next 500 cu.ft., per 100 cu.ft.	.30	.35
All over 1,000 cu.ft., per 100 cu.ft.	.25	.30
<b>Monthly Minimum Charges:</b>		
5/8 inch meter .....	\$ 2.00	\$ 2.30
3/4 inch meter .....	2.50	3.00
1 inch meter .....	3.50	4.00
1 1/2 inch meter .....	5.00	6.00
2 inch meter .....	7.00	8.00
3 inch meter .....	15.00	17.50
4 inch meter .....	30.00	35.00

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the "Monthly Quantity Rates".

Item 2.

Flat Rates

	<u>Present Rates</u>	<u>Proposed Rates</u>
For all services other than fire hydrants, per month .....	\$2.00	To be discontinued.

Item 3. Fire Hydrant Rates

For fire hydrants (1) furnished by company connected to existing 4-inch or larger main, including use of water for extinguishing fires:

a. When less than 100 hydrants are connected:

	<u>Present Rates</u>	<u>Proposed Rates</u>
First 50 hydrants, per hydrant per month .....	\$2.00	\$2.50
Additional hydrants, per hydrant per month .....	\$1.50	\$1.90

b. When 100 or more hydrants are connected:

First 100 hydrants, per hydrant per month .....	\$1.50	\$1.90
Additional hydrants, per hydrant per month .....	\$1.25	\$1.60

A single wharf hydrant 4 by 2½ inches (Greenberg #123 or equivalent) with 4-inch riser will be supplied.

The Avenal Water System was built for Coast Counties Gas and Electric Company in 1930 and from 1930 to 1937 it was owned and operated by subsidiaries of Pacific Public Service Company. On December 1, 1937 the system was reacquired by Coast Counties Gas and Electric Company and thereafter operated by it until the above-referred to merger.

The entire supply of water for the system is purchased from the Standard Oil Company of California. The system contains a purification station, 123,104 feet of transmission and distribution mains ranging in size from 2 to 12 inches in diameter, one steel storage tank of 120,000-gallon capacity and one steel 750,000-gallon storage tank.

It appears that since 1944 the investment in fixed capital in the system has increased some 94 per cent and the number of customers by approximately 29 per cent. The Commission last granted an increase in rates for this system in 1931.

Applicant's assistant comptroller testified that as a result of conferences between the Commission staff and company representatives, for the purposes of eliminating controversies and expediting the processing of the application, the company has followed as nearly as possible the methods used by the Commission staff in presenting evidence in this proceeding. The application originally requested an increase in gross revenue amounting to \$20,000. Applicant amended its application at the hearing to reduce the request to an increase of \$12,000 in annual gross revenue.

A report prepared by applicant setting forth operations results under present and proposed rates was received in evidence as Exhibit 1. Rates of return in Exhibit 1 were developed using straight-line remaining life depreciation and a depreciated rate base. This exhibit purports to show a need for an increase in annual gross revenue of \$12,000.

The recorded and adjusted results of operations during 1953 and as estimated for the year 1954, as presented by applicant are summarized as follows:

Item	Year 1953		Estimated Year 1954	
	Recorded	Adjusted	Present Rates	Proposed Rates
Operating Revenues	\$ 67,727	\$ 68,554	\$ 67,769	\$ 79,769
Operating Expenses				
Before Taxes and				
Depreciation	46,366	46,551	47,121	47,139
Taxes	2,984	3,810	3,084	9,544
Depreciation	12,795	9,245	9,271	9,271
Total	62,14	59,606	59,476	65,954
Net Revenue	5,582	8,948	8,293	13,815
Rate Base (Depreciated)	241,526	238,834	232,132	229,145
Rate of Return	2.31%	3.75%	3.57%	6.03%

The Commission staff made no presentation but participated in the cross-examination of applicant's witnesses and several of the protestants.

None of the protestants seriously questioned the accuracy of the figures set forth in Exhibit 1. For the most part, protestants urged that the Commission defer action upon the application until March 1, 1955 so that they could have further opportunity to study the exhibits (Exhibit 1 - Recorded, Adjusted and Estimated Results of Operations; Exhibit 2 - Study of Cost of Service by Classes; Exhibit 3 - Proposed Rates, Rules and Regulations) offered in evidence by applicant. Further, they indicated that the Commission by so doing would afford applicant an opportunity to "present more definite operational figures".

The record discloses that the Avenal Water System has been operated at a low rate of return, with an indicated declining rate of return for 1954. An improvement in earning position appears to be warranted. There is nothing in the record from which it can be reasonably inferred that operation of the system by the Pacific Gas and Electric Company, between the present date and March 1, 1955, will result in a situation wherein the need for an increase in rates will have been eliminated.

On this record we find that the rate of return of 6.03 per cent on the average 1954 depreciated rate base of \$229,145, which is here adopted, is reasonable and that the increased rates, rules and charges and the discontinuance of the 10 per cent discount applying to water service rendered to Avenal Elementary School, Avenal High School and County Fire Station are justified.

The rules proposed by applicant are similar to those now in effect in its other town systems. They are reasonable and will be authorized for this system.

Several consumers complained as to the quality of the water furnished by applicant. In this connection applicant's district

foreman testified that dead ends are flushed weekly and that the center of the system also is flushed; that each week he takes samples of the water and forwards them to a testing laboratory; that the County Health Department each week takes a sample of the water; that the water meets State Department of Health requirements as to chlorination; that he has received complaints that the water has a chlorinated taste. Applicant is placed on notice that it should expeditiously take such measures as are necessary in order to improve the potability of the water and the order will so provide. ✓

The Commission takes official notice of the fact that under the Internal Revenue Code of 1954, the federal normal income tax rate will decrease five percentage points, effective April 1, 1955. The order herein will be based upon the present federal income tax rate but will require a showing by applicant, not later than March 1, 1955, of its results of operation in its Avenal Water System for the most recent 12-month period. Upon receipt of such showing the Commission will determine whether or not the rates authorized herein should be reduced in an amount equivalent to said decrease in income taxes.

#### O R D E R

Pacific Gas and Electric Company having applied to this Commission for authority to increase rates and charges for water service rendered in Avenal, Kings County, public hearing having been held thereon, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges hereinafter authorized are justified and that present rates, in so far as they differ therefrom, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the provisions of General Order No. 96, the schedules of rates shown in Appendix A attached hereto and the preliminary statement and rules set forth in Exhibit No. 3 in this proceeding, and, after not less than five days' notice to this Commission and to the public, to make said tariff schedules effective for service rendered on and after March 1, 1955.

2. IT IS HEREBY FURTHER ORDERED that, unless the Internal Revenue Code shall have theretofore been revised to continue the present federal income tax rate through the year 1955, applicant shall, on or before March 1, 1955, file with this Commission a verified rate of return statement for its Avenal Water System for the most recent available 12-month period showing its revenues, expenses, net revenue, and rate base adjusted to the basis of the findings herein, but reflecting the authorized rates for water service on a full-year basis and the reduced federal income tax rate.

3. IT IS HEREBY FURTHER ORDERED that applicant shall file with this Commission within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 500 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the

principal water production, storage and distribution facilities, and the location of the various properties of the Avenal Water System.

4. IT IS HEREBY FURTHER ORDERED that applicant shall investigate the potability of the water being served and report in writing to this Commission within ninety days from the effective date hereof the results of such investigation and the remedial measures taken relative thereto.

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

Dated at San Francisco, California, this 1st day of FEBRUARY, 1955.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]

Commissioners



APPENDIX A  
Page 1 of 3

Schedule No. 1

Avenal Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Avenal and vicinity, Kings County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 500 cu.ft. or less .....	\$ 2.30
Next 500 cu.ft., per 100 cu.ft. ....	.35
Over 1,000 cu.ft., per 100 cu.ft. ....	.30

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 2.30
For 3/4-inch meter .....	3.00
For 1-inch meter .....	4.00
For 1 1/2-inch meter .....	6.00
For 2-inch meter .....	8.00
For 3-inch meter .....	17.50
For 4-inch meter .....	35.00

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

SPECIAL CONDITION

Customers, whose requirements, in the opinion of the Company, may overburden its water system, may require unreasonable investment in additional facilities, or may interfere with the supply to existing customers, will not be supplied water service under this rate schedule. In such cases a special contract will be required under such terms as the conditions warrant, subject to approval by the Public Utilities Commission of the State of California.

APPENDIX A  
Page 2 of 3

Schedule No. E-1

Avenal Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

Applicable to all metered water service rendered to employees of the Company as provided for the Special Conditions below.

TERRITORY

The unincorporated community of Avenal and vicinity, Kings County.

RATES

The regularly filed rates and charges applicable to the type of service in the territory at the location where service is supplied, less 25 per cent discount.

SPECIAL CONDITIONS

1. This schedule is available to regular and pensioned employees of the company, (married or unmarried) provided they reside in their own home (single family dwelling, separately metered, flat or apartment) and are supplied directly by the Company.
2. A regular employee is defined, for the purpose of this schedule, as one who has been continuously employed by the Company for more than six months and is paid on a weekly or monthly basis.
3. This schedule is available to employees living with and constituting the support of a mother, father or other relations. It is not available to probationary, casual or temporary employees.

APPENDIX A  
Page 3 of 3

Schedule No. F-1

Avenal Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service for municipalities and other political subdivisions.

TERRITORY

The unincorporated community of Avenal and vicinity, Kings County.

RATES

Per Hydrant  
Per Month

For single wharf hydrants on 4-inch diameter mains or larger:

a. When fewer than 100 hydrants are connected:		
First 50 hydrants .....		\$2.30
Over 50 hydrants .....		1.90
b. When 100 or more hydrants are connected:		
First 100 hydrants .....		\$1.90
Over 100 hydrants .....		1.60

SPECIAL CONDITIONS

1. The Company will be required to supply only such water at such pressure as may be available from time to time as a result of its normal operation of the water system.

2. The Company will normally supply a single wharf hydrant 4 by 2½ inches on a 4-inch riser.