

ORIGINALDecision No. 53572

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MERLE R. HENDRIX and LOUIS SAFRANEK, JR.,)
 doing business as OUTINGDALE WATER COMPANY,)
 for authority to increase their presently) Application No. 37847
 established rates to water users under)
 Section 454 of the Public Utilities Code.)

Louis J. Safranek, Jr., for applicants.
E. Ronald Foster, for the Commission staff.

O P I N I O NNature of Proceeding

Applicants, on March 17, 1956, filed this request for an increase in rates from ten dollars annually to thirty dollars annually for public utility water service furnished to approximately 55 flat rate consumers in a subdivision in El Dorado County, about 12 miles south of Placerville.

Applicants allege that the proposed rates will provide a 3.9 per cent rate of return upon the 1955 investment in plant and equipment plus estimated 1956 additions in the amount of \$10,000, and that such increase is necessary in order to produce sufficient revenue to defray necessary operation and maintenance expenses and to yield a reasonable return on the investment in utility property.

The application also sets forth a request for an increase from \$2.50 to \$3.50 for what it describes as a charge for a service connection.

Public Hearing

The application was submitted for decision at a public hearing held June 22, 1956, at Placerville, before Examiner Edward F. Walsh. A number of consumers of the system, including both

permanent and summer residents, participated in the hearing. The record also includes a detailed report (Exhibit 7) of an investigation of the operations of the system by a member of the Commission's Hydraulic Section, who testified at the hearing.

Description of Present System

Applicants acquired the water system in November, 1955, (Decision No. 52227, Application No. 37407) from predecessors who supplied water to consumers by private agreements until 1943. By Decision No. 39949 dated February 4, 1947 in Case No. 4726, this water company was declared to be a public utility and the rates presently in effect were then established.

The system receives its water from the middle fork of the Cosumnes River by virtue of a prescriptive right filed with the State Board of Water Resources, of one second foot of water. Water is impounded behind a dam across the river at the subdivision and pumped from the dam site to a 45,000-gallon concrete reservoir at a suitable elevation to supply the system by gravity.

At the beginning of 1956 the transmission and distribution system consisted of approximately 7,550 feet of pipe ranging in size from 3/4-inch to 6 inches. Since that time approximately 1,200 feet of 6-inch and 1,700-feet of 3 1/2-inch pipe have been added or relocated. These additions and relocations were made in order to eliminate water pressure deficiencies in certain parts of the system during peak summer demand periods. This was the major complaint of customers with relation to past service of the company.

Results of Operation

The record indicates that the company has operated at a loss every year since 1948. The tabulation below summarizes the results of operation at present and proposed rates as developed by the Commission's staff engineer in Exhibit 7 and at proposed rates as developed by applicants' accountant. Applicants made no estimate of results for 1956 at present rates.

Item	1956 Estimated			
	Staff		Company	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Total Operating Revenues	\$ 600	\$ 1,800	----	\$ 1,800
Total Operating Expenses	1,628	1,664	----	1,410
Incl. Taxes & Depreciation				
Net Revenue	(<u>1,028</u>)	136	----	390
Average Depreciated Rate Base	10,305	10,305	----	10,000
Rate of Return	-----	1.32%	----	3.9%

(Red Figure)

The estimate of total operating revenue is based upon an annual flat rate of thirty dollars and an estimate of 60 customers in 1956. The record discloses that some seasonal customers expressed dissatisfaction with being charged the same rate as permanent residents. The record also indicates that there are approximately six permanent residents, two of whom are the operators of the system, and the system is operated and maintained on a year-round basis. The system is not metered.

Summary and Conclusion

The record establishes that this utility is in need of additional revenue in order to continue to provide adequate service.

The estimate of total operating expenses for 1956 by applicants appears to be unreasonably low and without basis or

actual experience of the company in 1955 or in the first part of 1956. The estimate of the Commission's staff engineer, on the other hand, appears more realistic and has a basis in past experience of the company and will therefore be adopted by this Commission as being a reasonable estimate. The differences in the rate base are not significant but the rate base developed by the Commission's staff engineer has been more accurately developed and will therefore be the one adopted for the purposes of this proceeding.

It does not appear feasible at this time to establish a seasonal rate as well as an annual flat rate. The system is operated on a year-round basis for the benefit of all consumers should they desire to use it. The number of permanent residents is small compared to the number of seasonal residents. Any reduction in the form of a seasonal rate could only be obtained at the expense of an excessive rate being assessed against the permanent residents in order to produce the necessary revenue to operate the system satisfactorily. Such a rate could only be equitably established under these circumstances in a metered system. The installation of meters and related expenses would result in the need for the establishment of a higher rate than now requested.

The record also indicates that the company's rules and regulations need to be revised and brought up to date and that the recommendations contained in Chapter 12 of Exhibit 7, the staff report in evidence, should be carried out. The company is specifically directed to fence the reservoir area and to install locks on the reservoir door and fence gate. This work is to be completed by December 31, 1956.

The evidence revealed that applicants' request to increase to \$3.50 a charge for a service connection refers actually to a charge for reconnection of service after discontinuance for

violation of rules or nonpayment of bills. This increase will not be authorized. However, applicants' attention is directed to Decision No. 53204 in Case No. 5663 wherein General Order No. 103 was adopted and established providing for Service Standards and Service Rules for water utilities under the Commission's jurisdiction. Applicants, in filing their new rules as directed above, may include in such rules the provisions relating to charges for reconnection as set forth in Part I, paragraph 6-f of said General Order No. 103.

The rates proposed by applicants are hereby found to be reasonable and while we recognize the rate of return to be realized under these rates is low, this is to be anticipated during this period of development of the subdivision. Furthermore, in a system this size, slight variations in revenue or expense tend to exert a marked influence on the rate of return and the trend should be upward with a continued increase in the number of consumers to be expected.

O R D E R

Merle R. Hendrix and Louis Safrenck, Jr., doing business as Outingdale Water Company, having applied to this Commission for an order authorizing an increase in rates, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increase in rates authorized herein is justified and that present rates in so far as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED:

1. That applicants are authorized to file in quadruplicate with the Commission after the effective date of this order, in

conformity with General Order No. 96, the schedule of rates as shown in Appendix A attached hereto and, on not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after September 1, 1956.

2. That applicants shall file with this Commission within forty days after the effective date of this order four copies of a comprehensive map acceptable to this Commission, 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; the principal water production, storage and distribution facilities; and the location of the various properties of applicants.

3. That within thirty days after the effective date of this order, applicants shall file with this Commission four sets of up-to-date rules governing customer relations, together with revised tariff service area maps acceptable to the Commission and in conformity with the provisions of the Commission's General Order No. 96. Such rules and tariff service area maps shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.

4. That applicants shall completely enclose the reservoir area by a suitable fence and shall install locks on the reservoir door and the fence gate; and that this work shall be completed by December 31, 1956, and within fifteen days after the completion thereof applicants shall notify this Commission in writing of the date when such work was completed.

5. That beginning with the year 1956, applicants shall determine depreciation expense by multiplying the depreciable fixed capital, exclusive of plant provided through contributions in aid of construction, by a rate of 2.1 per cent; that this rate shall be

used until review indicates it should be revised; that applicants shall review the depreciation rate, using the straight-line remaining life method whenever substantial changes in depreciable capital occur and at intervals of not more than five years, and revise the above rate in conformance with such review; and that results of those reviews shall be submitted to the 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, 1956.

John E. Mitchell
President
James J. Caswell
Walter A. Dvale
R. Hardy

Commissioners

Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 2R

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential flat rate water service furnished on an annual basis.

TERRITORY

The unincorporated community of Outingdale, El Dorado County.

RATE

Per Service Connection
Per Year

For each residence including premises \$30.00

SPECIAL CONDITION

The above annual residential flat rate applies to service during the 12-month period commencing January 1, and is due and payable in advance of commencement of service.