

Decision No. 54235

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SACRAMENTO RIVER FARMS, LTD., a cor-)
 poration, for an order authorizing) Application No. 38252
 it to increase rates charged for)
 water service in Hamilton City.)

Richard Bard and C. T. Mess, for applicant;
John D. Reader and Thomas L. Deal, for the
 Commission staff.

O P I N I O N

Nature of Proceeding

By the above-entitled application, filed July 16, 1956, Sacramento River Farms, Ltd., a California corporation, seeks an order of this Commission authorizing increased rates and charges for water service rendered in the town of Hamilton City, Glenn County. Applicant basically seeks an annual increase in gross revenues of approximately \$2,300 or about 29 per cent, based upon the estimated level of business during the year 1956.

Public Hearing

After due notice to the public and to each customer, public hearing in the matter was held before Examiner F. Everett Emerson on October 23 and 24, 1956, at Hamilton City. Approximately 10 customers attended the hearing. The matter was submitted subject to the receipt of late-filed exhibits on November 5, 1956.

Rates, Present and Proposed

Applicant's basic rates have been effective since January 1, 1938 with minor additions or revisions in 1941 and 1942, and consist of individual charges for 18 basic classifications of service and seven subclassifications. Applicant's proposed rates, as

revised at the hearing, provide for but five rate schedules covering General Metered Service, Domestic Flat Rate Service, Commercial Flat Rate Service, Schools and Public Parks Flat Rate Service and Public Fire Hydrant Service. Of applicants 188 customers, only two are served at other than flat rates.

The evidence discloses that applicant has not billed all customers in accordance with its filed tariffs. It appears that there have been many undercharges, a few overcharges and two metered accounts for which there is no lawful meter rate. With respect to flat rate billings, the average domestic water user has been billed \$2.09 per month whereas the proper billing should have been \$2.81. Under applicant's proposed rates such an average customer would be billed \$3.73 and would, therefore, experience an effective increase of \$1.64 or 78½ per cent.

Applicant's Operations

The Sacramento Valley Sugar Company established this water system prior to 1912. In 1914, Sacramento Valley Sugar Company sold its sugar interests to Holly Sugar Company but continued the public utility operations until 1931. At that time the company reorganized and emerged as the Sacramento River Farms, Ltd., with headquarters in Hueneme, California. Since 1935 the company's principal activity in the Hamilton City area has been the rendering of public utility service to electric and water customers. The company also operates some nonutility properties in Hamilton City.

Both the electric and water properties are operated by a local manager-superintendent. Billings and other bookkeeping are also done locally. General accounting records, however, are maintained by personnel of the Berylwood Investment Company, located at Somis in Ventura County. This company owns 67 per cent of the outstanding capital stock of applicant.

The water supply for the system is obtained from a well drilled in 1936 to a depth of 356 feet. It is lined with 12-, 14-, and 16-inch casing and equipped with a deep well turbine pump connected to a 20-hp electric motor. The pump discharges into a 25,000-gallon steel tank elevated on a 75-foot steel support and thereby supplies the distribution system by gravity flow. Of the approximately 20,000 feet of steel distribution pipe, about 51 per cent is 4-, 5-, and 6-inch; 47 per cent is 2½- and 3-inch; and the remaining 2 per cent is 1½- and 2-inch. Just added to the system at the time of hearing was a new 3,200-foot section of 6-inch main installed, primarily, to make the northern end of the system circulatory and to improve pressures.

Adjacent to the intersection of First Street and Walsh Avenue a 6-inch Holly Sugar Company main is tied into the 6-inch main of Sacramento River Farms, Ltd. This gives both Sacramento River Farms, Ltd., and Holly Sugar Company an auxiliary water supply for the transfer of water in either direction under emergency conditions.

As of August 31, 1956, there were approximately 188 flat rate and 2 metered customers. The company also rendered service to 24 fire hydrants for public fire protection.

Up to the time of submission, applicant operated the water system without benefit of a permit from the State Board of Health.

Summary of Presentations

Applicant and the Commission staff presented testimony and exhibits showing the results of applicant's operations. The respective showings are summarized as follows:

Summary of Earnings
Test Year 1956

Item	Present Rates		Proposed Rates	
	Applicant	CPUC Staff	Applicant	CPUC Staff
Operating Revenues	\$ 5,980	\$ 7,820	\$ 9,900	\$10,150
Operating Expenses				
Before Taxes and Deprec.	5,460	5,425	5,560	5,425
Taxes	515	906	1,420	1,670
Depreciation	672	859	830	859
Total Oper. Expenses	<u>6,647</u>	<u>7,190</u>	<u>7,810</u>	<u>7,954</u>
Net Revenue	(667)	630	2,090	2,196
Rate Base (Deprec.)	19,200	26,400	27,800	26,400
Rate of Return	loss	2.4%	7.5%	8.3%

(Red Figure)

As illustrated by this tabulation, the evidence is clear that applicant is not earning a reasonable return on its investment, nor will it in the future if present water rates are continued.

As above mentioned, a portion of applicant's billings has not been in accordance with filed tariffs. At the request of the staff, therefore, applicant made a premises survey of the entire service area and the staff-derived revenues in the above tabulation represent the revenues which applicant should receive under present rates and would receive if applicant's proposed rates were to be effective for the full year 1956.

Differences in operating expense estimates arise from an accumulation of relatively minor differences. Neither applicant's nor the staff's estimates, however, reflect upward wage adjustments granted to employees in the interim between preparation of the estimates and the date of hearing. Such increased expenses will be included in the amount of reasonable operating expenses to be allowed

herein. Major differences in the respective calculations of rate base items occur in cost of organization, in working cash allowance and in the reserve for depreciation. With respect to organization costs the staff, in accordance with the reclassification of water plant accounts authorized by this Commission's Resolution No. 225, issued May 1, 1956, properly included such cost as an item of common utility plant. Applicant erroneously included such cost as an item of water plant. With respect to an allowance for working cash, the staff assumed that applicant was billing customers in advance as provided for in applicant's tariffs and, therefore, included a relatively minor amount for working cash capital. In the treatment accorded the depreciation reserve applicant erroneously used a year-end 1956 reserve in computing "average" depreciated rate base. Neither the staff nor applicant, at the time the respective estimates were prepared, could know the completed costs of 1956 plant additions. Such additions are now known to be at least \$1,200 higher than either anticipated. In arriving at a reasonable rate base on which future rates may be predicated, such additional plant cost will be given due weight.

Conclusions

Applicant has demonstrated its need for and entitlement to increased revenues. In view of the evidence we conclude that a rate of return of approximately 6.5 per cent on a depreciated rate base of \$28,000 is fair and reasonable for this utility. The rates hereinafter authorized should produce gross revenues in the amount of \$10,000 annually, which revenues, after allowance for a total of all reasonable operating expenses of \$8,200 will yield such a return.

The new rates to be authorized herein will be greatly simplified, thereby lessening the administrative burden on applicant and assuring equitable charges proportioned to usage. Flat rate

charges will basically be applied under the provisions of one rate schedule, with irrigation and cooler charges being additive during the six months of the year when usage of water for irrigation and cooling is normally made. In the past numerous mistakes in billing have occurred, resulting in both under and overcharges. Under the new rates no such situations should arise.

Applicant's rules governing its relations with its customers do not adequately reflect its present practices and policies. Applicant will be required to file up-to-date rules.

During 1956 applicant reinforced the entire north end of the distribution system in order to improve pressures and alleviate conditions complained of by its customers. Such reinforcement should be of material benefit to the system. Applicant should look to whatever reinforcement may be needed in other parts of the system, particularly in the neighborhood of the elementary school.

We find that the increases in rates and charges hereinafter authorized are justified and that present rates and charges, in so far as they differ from those authorized herein, are for the future unjust and unreasonable.

ORDER

Sacramento River Farms, Ltd., having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in Hamilton City, Glenn County, public hearing thereon having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission, on or after the effective date of this order, and in conformance with the provisions of General Order No. 96, the schedules

of rates attached to this order as Appendix A and, after not less than five days' notice to the public and to this Commission, to make such rates effective for all service rendered on and after January 16, 1957.

2. Within thirty days after the effective date of this order, applicant shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, rules governing customer relations revised to reflect present-day operating practices, together with tariff service area map and with current forms normally used in connection with customer service.

3. Within sixty days after the effective date of this order, applicant shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of approximately 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the production, storage and distribution facilities and the various water utility properties of applicant.

4. Beginning with the year 1956 applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 2.4 per cent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable utility plant occur and at intervals of not more than five years, and shall revise the above rate in

conformance with such reviews. 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 San Francisco, California, this 11th day of DECEMBER, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Hamilton City, Glenn County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu.ft. or less	\$ 2.75
Next 3,000 cu.ft., per 100 cu.ft.20
Next 6,000 cu.ft., per 100 cu.ft.14
Over 10,000 cu.ft., per 100 cu.ft.08
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.75
For 3/4-inch meter	3.25
For 1-inch meter	4.00
For 1 1/2-inch meter	5.50
For 1 3/4-inch meter	7.00
For 2-inch meter	12.00
For 3-inch meter	18.00
For 4-inch meter	24.00

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

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Hamilton City, Glenn County.

RATES

	Per Service Connection per Month			
	<u>3/4-inch</u>	<u>1-inch</u>	<u>1 1/2-inch</u>	<u>2-inch</u>
1. For a single family residential unit, or an office, store or shop, including the irrigation of premises having an area of:				
3,750 sq.ft. or less	\$3.00	\$3.75	\$7.00	\$9.50
3,751 to 7,500 sq.ft. in area	3.40	4.25	7.00	9.50
a. For each additional residential unit on the same premises served from the same service connection ...	1.50	1.50	1.50	1.50
2. In addition to the above flat rates during the months of May, June, July, August, September and October:				
a. For irrigation or sprinkling of garden or lawn areas larger than those allowed for basic flat rates, per 100 sq.ft.	.03	.03	.03	.03

Schedule No. 2

GENERAL FLAT RATE SERVICERATES—Contd.

	Per Service Connection per Month			
	<u>3/4-inch</u>	<u>1-inch</u>	<u>1 1/2-inch</u>	<u>2-inch</u>
b. For each window box type of air cooling unit:				
Water wasting type	\$0.75	\$0.75	\$0.75	\$0.75
Recirculating type	.40	.40	.40	.40

SPECIAL CONDITION

Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to duly organized or incorporated fire protection districts or other political subdivisions of the State.

TERRITORY

The unincorporated community of Hamilton City, Glenn County.

RATES

<u>Per Hydrant per Month</u>	
<u>Owned and Maintained by</u>	
<u>Utility</u>	<u>Customer</u>

Wharf Type Hydrants:

a. Angle valve type	\$1.00	\$ -
b. Straight valve type	1.25	0.75

SPECIAL CONDITION

The utility shall 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 system.

Schedule No. 7

SCHOOLS AND PUBLIC PARK FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis to schools and public parks.

TERRITORY

The unincorporated community of Hamilton City, Glenn County.

RATE

Per Month

For each Public School or Public Park \$20.00

SPECIAL CONDITION

Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.