

ORIGINAL

Decision No. 54280

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the PLANADA WATER COMPANY,)
a corporation, for a certificate of pub-)
lic convenience and necessity to operate)
a water company and to establish and)
adjust rates, rules and regulations for)
the operation thereof.)

Application No. 37529
as amended

Hugh H. Griswold, for applicant;
W. B. Stradley, for the Commission staff.

O P I N I O N

Nature of Proceeding

By the above-entitled application, filed December 1, 1955, Planada Water Company, a California corporation, seeks an order of this Commission granting to it a certificate of public convenience and necessity and authority to establish increased rates for water service rendered in Planada, Merced County.

Public Hearing

Public hearing in the matter was held before Examiner John M. Gregory on June 25, 1956, at Planada. At the hearing applicant filed an amendment to the application by which it proposed a simplified rate structure. The matter was submitted, on receipt of a copy of an amendment to applicant's articles of incorporation on August 13, 1956.

The Applicant and System Development

Applicant was organized in 1912 for the purpose of furnishing water to an area of about 290 acres laid out and subdivided by the Planada Development Company during the preceding year. Applicant's authorized capitalization was \$50,000 represented by 500 shares of \$100 par value stock. The original town is said to have

been a "boom town" type of development which soon experienced a substantial decline in population. At the town's lowest ebb in 1934, a Mr. W. B. Pugh of Planada purchased 303 of the 305 outstanding shares of stock of the water company and took over the operation of the system serving such customers who happened to be connected to the system and charging nominal rates for such service. Upon the death of Mr. Pugh, Mrs. Pugh continued the operation until 1946 when the stock was transferred to Wm. H. and Margaret E. Houlihan, applicant's present president and secretary.

In recent years Planada has grown from a village of a few hundred people to a town of approximately 2,000. Until very recently many residents obtained their water supply from individual wells. Because of the increased population many of the individual wells became contaminated due to lack of proper sewage disposal. Applicant's source of supply comes from deep wells completely free from surface contamination and under permit from the State Department of Public Health. Applicant now supplies water to approximately 400 customers and anticipates a normal growth as more individuals transfer their supply from private wells to the utility system.

The water supply for this system is obtained from two wells located within the area served. These wells are 350 and 510 feet deep and are 12 and 14 inches in diameter, respectively. A third well owned by the utility but which is not presently equipped with pump or motor, and a privately owned well which is fully equipped and connected to the utility system, are available to augment the water supply if needed. Each of the two wells presently in use is equipped with a 20-hp electric motor directly connected to a deep well turbine pump. The two pumping plants are capable of delivering a total of approximately 750 gallons of water per minute. A pressure tank of 1200-gallon capacity and a 25,000-gallon elevated redwood tank

maintain the system pressure between 20 and 30 pounds per square inch. The distribution system consists of approximately 8,600 feet of 6-inch, 16,300 feet of 4-inch, and 12,100 feet of 2-inch diameter steel pipe installed at various times since 1912. As of December 31, 1955, there were 367 customers receiving water service.

Applicant's system is the only utility water system within 6 miles of the area.

Rate Proposal

Applicant's present basic flat rate is \$2 per month. To such basic charge, however, are added any of a large number of various other charges based upon the type of appliances used or the type of premises served. Under existing rates, the average residential customer pays approximately \$28.37 annually and the average business customer pays approximately \$34.12 annually.

Applicant's proposed basic flat rate is \$3.50 per month for residential service and \$3 per month for business service with various additional charges as before. Under the proposed rates the average residential customer would pay approximately \$53.84 annually, while the average business establishment would pay approximately \$51 annually.

Applicant now has no meters in service but proposes to meter the larger water users in the future.

Results of Operations

The evidence respecting the results of applicant's operations discloses the following estimates for the current year's operations:

Results of Operations 1956

<u>Item</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$11,797	\$21,288
Operating Expenses	12,681	15,129
Net Revenue	(884)	6,159
Rate Base (depreciated)	51,354	51,354
Rate of Return	loss	12.0%

(Red Figure)

The evidence is clear, as the above tabulation illustrates, that applicant's present rates do not produce sufficient revenue to meet operating expenses, let alone provide a return on the investment in water plant. Applicant's proposed rates, on the other hand, would produce an excessive rate of return. Applicant is in need of and entitled to increased revenues but not to the extent sought. Applicant will be authorized to file rates which will produce annual gross revenues of \$17,670. After allowance of \$14,310 for all reasonable operating expenses, including taxes and depreciation, a net revenue of \$3,360 will result. Such net revenue when related to a fair and reasonable rate base of \$51,354 will yield a rate of return of approximately 6.5 per cent, which rate of return we also find to be fair and reasonable.

Conclusions

In view of the evidence we find that public convenience and necessity require and will require that applicant be granted a certificate for the area requested. Such certificate is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience or the right to own, operate or enjoy such certificate of public convenience or necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

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

O R D E R

Public hearing having been held, the matter having been submitted and based upon the evidence and findings and conclusions contained in the foregoing opinion,

IT IS ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Planada Water Company to construct, operate and maintain a public utility water system for the production, storage, distribution and sale of water within the territory delineated on the map designated Exhibit No. 3 in this proceeding.

IT IS HEREBY FURTHER ORDERED as follows:

1. Applicant is authorized and directed to file in quadruplicate with this Commission the schedules of rates set forth in Appendix A attached to this order, together with rules and tariff service area map acceptable to this Commission and in accordance with the provisions of General Order No. 96. Such rates, rules and tariff service area map shall become effective on January 16, 1957 on not less than five days' notice to the public and to this Commission after filing as hereinabove provided.

2. Within thirty 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 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served for which this certificate is issued, such map also showing the principal water production, storage and distribution system and the various properties of applicant.

3. Beginning with the year 1956, applicant shall determine depreciation expense by multiplying depreciable fixed capital by a rate of 2.2 per cent until such time as review indicates that such rate should be revised. A review of the depreciation rate, using the straight-line remaining life method of computation, shall be made whenever substantial changes in depreciable fixed capital occur and at intervals of not more than five years. Results of such reviews shall be submitted to this Commission.

4. Within thirty days after the effective date of this order applicant shall subscribe to local exchange telephone service in the name of Planada Water Company and within ten days thereafter shall notify this Commission in writing of having so subscribed.

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

Dated at San Francisco, California, this 14th day of DECEMBER, 1956.

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

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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Planada, Merced County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu.ft. or less	\$ 3.00
Next 2,000 cu.ft., per 100 cu.ft.25
Next 7,000 cu.ft., per 100 cu.ft.20
Over 10,000 cu.ft., per 100 cu.ft.15

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.00
For 1-inch meter	6.50
For 1 1/2-inch meter	11.50
For 2-inch meter	17.50
For 3-inch meter	32.00
For 4-inch meter	50.00

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

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Schedule No. 2

RESIDENCE AND PUBLIC BUILDING FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished to residences, churches, firehouses, public halls and libraries on a flat rate basis.

TERRITORY

The unincorporated community of Planada, Merced County.

RATES

Per Service Connection
per Month

1. For a single family residence, church, firehouse, public hall, or library, including premises not exceeding 9,000 sq.ft. in area	\$3.25
a. For each additional residential unit, including trailer or tent when used as a residence, served from the same service connection:	
With inside water facilities	1.25
With outside water facilities only ..	.50
b. For each additional 100 sq.ft. of premises in excess of 9,000 sq.ft.02

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications will be furnished only on a metered basis.
3. A meter 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. 2LX

LIMITED TEMPORARY BUSINESS FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Planada, Merced County.

RATES

	<u>Per Service Connection per Month</u>
1. For a business establishment	\$3.50
2. For each business establishment located on the same premises with a residence and served from the same service connection in addition to the charges for residential service furnished under Schedule No. 2	1.50

SPECIAL CONDITIONS

1. Service under this schedule will be furnished to existing customers only until such time as meters are installed.
2. This schedule will be effective only to and including June 30, 1957, and will be withdrawn on July 1, 1957.

Schedule No. 4

PRIVATE FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire hydrants.

TERRITORY

The unincorporated community of Flomada, Merced County.

RATE

Per Month

For each fire hydrant \$2.00

SPECIAL CONDITIONS

1. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of its system.
2. The above rate includes use of water for fire protection and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges therefor will be made at the quantity rates under Schedule No. 1, General Metered Service.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Planada, Merced County.

RATE

Per Month

For each fire hydrant \$1.50

SPECIAL CONDITIONS

1. Hydrants will be installed and maintained at the expense of the utility.
2. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. The above rate includes use of water for fire protection and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges therefor will be made at the quantity rates under Schedule No. 1, General Metered Service.
4. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of its system.

Schedule No. 7

SCHOOL AND PUBLIC PARK FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Planada, Merced County.

RATES

	<u>Per Month</u>
For each 3/4-inch service connection	\$ 3.00
For each 1-inch service connection	4.00
For each 1 1/2-inch service connection	12.00
For each 2-inch service connection	18.00
For each 3-inch service connection	32.00
For each 4-inch service connection	50.00

In addition, for each 1,000 sq.ft. or fraction thereof irrigated area04

SPECIAL CONDITION

A meter 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.

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Schedule No. 9C

CONSTRUCTION FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished for construction purposes.

TERRITORY

The unincorporated community of Planada, Merced County.

RATES

Per Month

- | | |
|---|--------|
| 1. For a period not to exceed six months during which a building is under construction before first occupancy | \$1.50 |
| 2. For settling backfill of trenches, per lineal foot | .015 |
| 3. For tank truck deliveries: | |
| First 3,000 gallons or less | 1.00 |
| Over 3,000 gallons, per 1,000 gallons | .30 |

SPECIAL CONDITION

For other construction uses, an estimate of the quantity of water used will be made by the utility. The charge for this water will be made at the quantity rates under Schedule No. 1, General Metered Service.