

ORIGINAL

Decision No. 54882

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of FRUITLAND WATER COMPANY for
authority to increase water rates
within the area comprised of
Lots 1, 2, 3, 4 and 5, Fruitland
Subdivision, Monterey County,
State of California.

Application No. 38442
(As Amended)

D. O. Colegrove, for applicant;
James J. Roddy, for the Commission staff.

O P I N I O N

Nature of Proceeding

By the above-entitled application, filed September 24, 1956, and as amended on March 4, 1957 and March 13, 1957, Fruitland Water Company seeks an order of this Commission authorizing increased water rates for service rendered near Watsonville, California, and the approval of a contract respecting service to a water user whose property lies outside of the utility's certificated area. While the original application inadvertently referred to a Lot 4 of Fruitland Subdivision, such error was corrected by amendment and the matter now properly applies only to Lots 1, 2, 3 and 5 of such tract.

Public Hearing

After due notice to the public and to each present customer of applicant, public hearing in the matter was held before Examiner F. Everett Emerson on March 13, 1957, at Watsonville. Two late-filed exhibits were received on March 18, 1957. No persons except those representing applicant or the Commission staff attended the hearing.

Rates, Present and Proposed

Applicant's present rates have been effective since October 1, 1952. All 25 of applicant's regular customers are supplied

metered service. One interruptible irrigation customer is supplied time-measured service. A comparison of charges for typical metered usage is shown in the following tabulation:

| <u>Quantity</u> (Cubic Feet) | <u>Monthly Charge</u> | |
|---------------------------------|-----------------------|----------------------|
| | <u>Present Rate</u> | <u>Proposed Rate</u> |
| 0 | \$2.50 | \$ 3.00 |
| 500 | 2.50 | 3.00 |
| 800 | 2.50 | 4.50 |
| 1,000 | 2.50 | 5.50 |
| 1,428 (Avg. Usage) | 3.27 | 7.00 |
| 1,500 | 3.40 | 7.00 |
| 2,500 | 5.20 | 10.00 |
| 5,000 | 8.90 | 15.50 |

Summary of Earnings

Evidence respecting applicant's earning position was presented through exhibits attached to the application and supporting oral testimony by applicant's president. In addition, as is usual in proceedings of this nature, a member of the Commission staff presented both oral and documentary evidence as to the results of his independent investigation of applicant's operations.

From such evidence we conclude that the following tabulation fairly indicates the results of system operations during the year 1956 and prospectively for the year 1957 at applicant's existing rates and at the rates which applicant requests this Commission to authorize.

SUMMARY OF EARNINGS

| <u>Item</u> | <u>Year 1956</u> | <u>Year 1957</u> | |
|-----------------------------|----------------------|----------------------|------------------------|
| | <u>Present Rates</u> | <u>Present Rates</u> | <u>Requested Rates</u> |
| Operating Revenues | \$ 950 | \$ 1,180 | \$ 2,100 |
| Operating Expenses | | | |
| Before Taxes & Depreciation | 1,270 | 1,295 | 1,295 |
| Taxes | 100 | 105 | 169 |
| Depreciation | 402 | 488 | 488 |
| Total Oper. Expenses | <u>1,772</u> | <u>1,888</u> | <u>1,952</u> |
| Net Revenue | (<u>822</u>) | (<u>708</u>) | 148 |
| Rate Base (Depreciated) | 11,400 | 11,400 | 11,400 |
| Rate of Return | loss | loss | 1.3% |

(Red Figure)

The evidence is clear, as the above tabulation indicates, that revenues obtained from existing water rates are inadequate to meet applicant's reasonable needs. Applicant has conclusively demonstrated that it is in need of and entitled to not less than the total amount of increased revenue sought. Applicant's rate request will be granted.

Contract for Accommodation Service

Springfield Grange No. 523 has a hall or meeting place, adjacent to but outside of applicant's certificated area, for which it applied to applicant for water service. Applicant did not and does not hold itself out to serve any territory outside of its certificated area. From time to time, however, it has or may have a quantity of water in excess of that needed to meet the demands of its regular patrons within the area to which it has dedicated its public service. As an accommodation it is willing to supply water for use at the Grange Hall provided (1) the Grange install all necessary piping, (2) the Grange pay a charge to cover the cost of connecting the Grange's piping to the utility system, (3) the service may be interrupted or discontinued at or during any time when the utility water supply might become insufficient to meet both the needs of the utility's regular patrons and the needs of the Grange, and (4) rates and charges for water usage by the Grange are identical with those rates and charges applicable to the utility's regular customers.

Applicant entered into an agreement with the Grange, dated November 1, 1954, by which it was intended that the foregoing would be consummated. A copy of the agreement is Exhibit No. 1 in the proceeding. Applicant seeks approval of such contract and attributes its existence without Commission authorization to inadvertance. As presently written, such contract has many deficiencies and cannot be approved. However, on the basis of the evidence before us in this proceeding it appears that an agreement properly drafted to reflect

the above-discussed situation and conditions will not be unreasonable or adverse to the public interest. To that end, applicant should undertake the execution of a new and proper form of contract including statements or clauses covering at least the following:

1. The precise and definite obligations of the respective parties.
2. Detailed description of the length, size and location of the piping system involved and the location of the utility's water meter for the service to be rendered.
3. Statement as to title to piping system installed by Grange.
4. Obligation to serve only on interruptible basis upon 24-hour notice.
5. Agreement that service is to be for surplus water as an "accommodation".
6. A statement that regular utility rates are applicable to the water service supplied.
7. Term of contract (5 years with yearly renewal privileges).
8. A statement that "This contract shall at all times be subject to such change or modification as may be made by the Public Utilities Commission of the State of California in the exercise of its jurisdiction".

Conclusion

Applicant is in need of and entitled to increased revenues in the total amount sought. We find that the increased 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.

We find that approval of the contract between applicant and Springfield Grange No. 523 should be denied without prejudice to the filing of an application for appropriate authority to consummate a proper agreement on the subject hereinabove discussed.

O R D E R

Fruitland Water Company having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in Monterey County and approval of a contract for water service, 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 after the effective date of this order, in conformity with General Order No. 96, the schedules of rates shown in Appendix A attached hereto and, upon not less than five days' notice to the Commission and the public, to make said rates effective for service rendered on and after June 1, 1957.

2. Applicant, within sixty days after the effective date of this order, shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 400 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 water system properties of applicant. ✓

3. Beginning with the year 1957, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.3 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.

4. Approval of the contract discussed in the foregoing opinion is denied without prejudice.

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

Dated at San Francisco, California, this 29th day of APRIL, 1957.

[Signature]
President
[Signature]
[Signature]

Commissioners

Rox Hardy
Commissioner C. Lyn Fox, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including Lots 1, 2, 3, and 5, of Fruitland Subdivision, and vicinity, approximately 2 miles southerly of Watsonville, Monterey County.

RATES

| | | <u>Per Meter</u> <u>Per Month</u> |
|-----------------|-----------------------------------|--------------------------------------|
| Quantity Rates: | | |
| First | 500 cu.ft. or less | \$ 3.00 |
| Next | 500 cu.ft., per 100 cu.ft. | .50 |
| Next | 2,000 cu.ft., per 100 cu.ft. | .30 |
| Next | 2,000 cu.ft., per 100 cu.ft. | .20 |
| Over | 5,000 cu.ft., per 100 cu.ft. | .15 |

Minimum Charge:

| | | |
|-----|----------------------------|---------|
| For | 5/8 x 3/4-inch meter | \$ 3.00 |
| For | 3/4-inch meter | 4.50 |
| For | 1-inch meter | 6.50 |
| For | 1 1/2-inch meter | 10.50 |
| For | 2-inch meter | 14.00 |
| For | 3-inch meter | 21.00 |
| For | 4-inch meter | 32.00 |

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

APPENDIX A
Page 2 of 2

Schedule No. 3ML

LIMITED IRRIGATION METERED SERVICE

APPLICABILITY

Applicable to all irrigation metered water service furnished on an interruptible basis.

TERRITORY

The unincorporated area including Lots 1, 2, 3, and 5, of Fruitland Subdivision, and vicinity, approximately 2 miles southerly of Watsonville, Monterey County.

RATES

| | <u>Per Meter Per Month</u> |
|--|--------------------------------|
| Service Charge: | |
| For 5/8 x 3/4-inch meter | \$3.00 |
| Quantity Rate: | |
| For all water delivered, per 100 cu.ft. | \$0.15 |

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. Water for irrigation service under this schedule will be furnished only when water therefor is available in addition to the requirements of customers served under Schedule No. 1, General Metered Service. Such irrigation service may be interrupted at any time when necessary to meet the requirements of general service customers.
2. Service hereunder will be furnished for not less than four consecutive months of the calendar year.
3. Service under this schedule will be limited to those customers who received interruptible irrigation service during 1956.
4. Irrigation service on a noninterruptible basis will be furnished only under Schedule No. 1, General Metered Service.