

ORIGINALDecision No. 55138

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 EVERETT M. JONES and BERT I. JONES) Application No. 38511
 for authority to increase rates of)
 PARKWOOD WATERWORKS, a water utility.)

Maurice E. Smith, for applicants.
Walter J. Cavagnaro, for the Commission staff.

O P I N I O NNature of Proceeding

By the above-entitled application filed October 13, 1956, Everett M. Jones and Bert I. Jones, the owners of the water system in the unincorporated area known as Parkwood Subdivision, located approximately 1½ miles south of the City of Madera, in Madera County, seek an order of this Commission authorizing increased flat rates and charges for water service. Basically, a rate of return of approximately 8.9 per cent is sought on the investment in physical plant. Present rates according to the staff's estimate will produce a net revenue of \$832 while the proposed rates will result in a net revenue of \$3,342. Three business users are on meter rates. It is proposed that the flat rate shall be increased from \$3 to \$5.

Public Hearing

Public hearing was held before Examiner Rowe in Madera on May 15, 1957. Although ample notice was given no public body appeared in protest. One customer testified that all utilities were increasing rates, especially in this particular area, and that in his opinion there must be some stopping point. Evidence was adduced by applicants and by the Commission staff and the matter was duly submitted for decision.

History of the System

Parkwood Water Works was organized in 1953 as a partnership by the present applicants. Application No. 34546 was made to the Commission on July 15, 1953 for a certificate of public convenience and necessity authorizing them to construct and operate a water system as a public utility to serve water in their subdivision. This authority was granted by Decision No. 49390 dated December 1, 1953.

Description of the System

The water supply for the system is obtained from a well equipped with a pump and a 20-horsepower motor. A second well has been prepared and will be equipped with a turbine pump and a 40-horsepower motor. Hydropneumatic pressure is provided by two, 2500-gallon pressure tanks connected to serve in effect as a single 5000-gallon pressure tank. Of the approximately 9500 feet of 10-gauge, dipped and wrapped steel distribution pipe, about 10 per cent is 6-inch and 90 per cent is 4-inch. In February 1957, there were 130 flat rate and 3 meter customers. In addition, there are 10 fire hydrants connected to the distribution mains.

With the completion of the new pump the system will have a maximum pumping capacity of approximately 1,060 gallons per minute at normal operating pressures. The utility intends to enlarge the distribution system with an additional distribution main to be completed by the middle of July. The new well was scheduled to be in operation by June 1, 1957.

Nature of Evidence

One of the applicant partners testified as to the results of operations and as to the immediate plans for betterment and extension of the utility plant. An associate engineer of the Hydraulic Branch of the Utilities Division presented a report of the

results of his examination of the records of this utility as well as of the physical plant.

The staff's summary of applicants' earning position is as follows:

Item	1956 Adjusted		1957 Estimated		
	1955 Recorded	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 2,307	\$ 4,675	\$ 7,250	\$ 5,880	\$ 9,230
Operating Expenses					
Source of Water Sup.	-	-	-	25	25
Pumping Expense	644	1,080	1,080	1,560	1,560
Trans. & Distri.	-	180	180	240	240
Commercial Expense	201	325	325	400	400
General and Adminis.	24	765	765	830	830
Subtotal	869	2,350	2,350	3,055	3,055
Taxes other than Income	142	313	313	353	353
Taxes on Income	-	162	812	166	1,006
Depreciation	1,276	1,138	1,138	1,474	1,474
Total Oper Exp.	2,287	3,963	4,613	5,048	5,888
Net Revenue	20	712	2,637	832	3,342
Depreciated Rate Base	18,100	31,000	31,000	34,750	34,750
Rate of Return %	0.11%	2.3%	8.5%	2.4%	9.6%

NOTE: The increase of approximately 1% in the rate of return at proposed rates from 1956 to 1957 is primarily due to the adjustments made to the year 1956 to reflect the addition of a new source of supply and related equipment. These facilities will provide an adequate supply for several years of normal customer growth during which time this trend is expected to continue.

From the testimony of one of the partners it appears all land on which wells and other facilities of the utility are located have not been transferred to the partners as such utility. This should be done immediately. Also, the 25-cent penalty collected on delinquent accounts has no legal justification by inclusion in the utility's filed tariff. This penalty in each case must be repaid. According to applicant's testimony this will be accomplished by means of crediting against future bills. According to the staff witness

the added cost of the installation of a new well rather than the purchase of an old well was not reflected in his study. This increase in cost appears to be \$2500 and will bring the present depreciated rate base to \$37,250. The rate of return estimate will consequently be reduced to 8.9 per cent instead of 9.6 per cent as shown in the staff's exhibit.

The staff witness pointed to the fact that the tariff of applicants provides that any and all customers have the option of becoming metered customers. With the present minimum of \$2 for metered customers which entitles them to 800 cubic feet of water per month, it is to be expected that many flat rate customers will immediately exercise this option unless the minimum is drastically raised. Should most of the flat rate customers demand meters under this option, applicants' revenues would be lowered instead of raised and the capital outlay would be materially increased by investment in such meters. Therefore, applicants will be authorized to modify their meter tariff rates to increase the minimum charge and modify the quantity rates so that the exercise of this option will not adversely affect applicants. This modification will not significantly affect present metered customers. At the present time only three customers, all business users, are on meters. Their use has in each case invariably exceeded amounts requiring charges of over \$5 per month. The staff witness also made recommendations pertaining to construction and operations of the utility which will be implemented on the order herein.

Conclusions

In view of all the evidence, we find that applicants are entitled to a substantial amount of the relief sought and that an order should be issued increasing the rates to the extent set forth

in Appendix A following the order. This authorization will result in an increase of about 33 per cent in gross flat rate revenues, as compared with applicants' request for 66 per cent increase in flat rates. The order will result in a rate of return of about 6.0 per cent on a \$37,250 rate base, which we hereby adopt as reasonable for the purposes of this decision. In view of the fact that a substantial growth in customers is anticipated during the next few years this rate of return is expected to grow rather than diminish. It is found as a fact that the increases in rates and charges authorized herein are justified and that existing rates and charges, in so far as they differ therefrom are for the future unjust and unreasonable.

O R D E R

Applicants having applied to this Commission for an order authorizing increased rates, public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED:

1. That applicants, after the effective date of this decision, are authorized to file in quadruplicate with this Commission and in conformance with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A and, on not less than five days' notice to the public and to this Commission, to make said rates effective for service rendered on and after August 1, 1957.
2. That applicants, within 60 days after the effective date of this order, shall file in quadruplicate with this Commission and in conformance with the provisions of General Order No. 96, a tariff service area map and current sample forms normally used in connection with customer service. Such tariff service area map and sample form tariff sheets shall become effective upon five days' notice to the Commission and to the public after filing as herein provided.

3. That applicants, within 60 days after the effective date of this order, shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 300 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 applicants.

4. That beginning with the year 1957, applicants shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.4 per cent. This rate shall be used until review indicates it should be revised. Applicants 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 review. Results of these reviews shall be submitted to the Commission.

5. a. That applicants, on or before August 1, 1957:

- a-1. Shall complete and place in operation their second source of water supply, pumping unit, and pressure tank.
- a-2. Shall have a regularly employed serviceman with headquarters in the service area.
- a-3. Shall establish local exchange telephone service in the name of Parkwood Water Works.

b. That applicants, on or before December 31, 1957, shall have the title to all parcels of land on which utility facilities are located recorded in the names of Everett M. Jones and Bert I. Jones, doing business as Parkwood Water Works.

c. Within 15 days after compliance with each requirement as set forth in the foregoing subparagraphs a-1, a-2, a-3,

and b, applicants shall advise the Commission in writing of the date on which such compliance was effected.

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

Dated at San Francisco, California, this 18th day of June, 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 SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Parkwood Subdivision and vicinity located approximately one mile south of the City of Madera, Madera County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less	\$ 3.50
Next 1,500 cu.ft., per 100 cu.ft.15
Next 2,500 cu.ft., per 100 cu.ft.20
Over 5,000 cu.ft., per 100 cu.ft.075
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	4.00
For 1-inch meter	5.00
For 1 1/2-inch meter	7.00
For 2-inch meter	14.00
For 3-inch meter	25.00
For 4-inch meter	40.00
For 6-inch meter	70.00

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. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area known as Parkwood Subdivision and vicinity located approximately one mile south of the City of Madera, Madera County.

RATES

Per Service Connection
per Month

For a single family residence or
business establishment, including premises

\$4.00

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than 3/4-inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. A meter may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service. When a meter is installed at option of customer, metered service must be continued for at least 12 months before service will again be furnished at flat rates.