

ORIGINAL

Decision No. 57716

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the KERNVILLE  
DOMESTIC WATER CO., INC., for a  
general rate increase. PU Code 454. } Application No. 40298

William H. Klahn and Don Gray, for applicant.  
Harold H. Webster and David F. La Hue, for the  
Commission staff.

O P I N I O N

Applicant seeks an estimated 30% increase in water service rates in the unincorporated town of Kernville, relocated at its present site a few years ago due to construction of Isabella Dam in the Kern River Valley some 60 miles east of Bakersfield. The region is developing rapidly as a recreational and residential area. Applicant alleges it needs more revenue in order to improve its water supply and distribution facilities to meet growing demands for service.

The application, filed July 28, 1958, was heard and submitted without opposition, after due notice, on October 29, 1958 at Kernville, before Commissioner Theodore H. Jenner and Examiner John M. Gregory.

The system was first installed in 1951 by A. J. Patterson who secured a certificate and authority to increase rates the following year. (Decision No. 47453, Application No. 33031.) In 1954, Patterson sold the assets for cash and a \$16,250 installment promissory note bearing 5% interest to William H. Klahn (Decision No. 50746, Application No. 35589), who transferred the properties to a corporation as of January 1, 1956. (Decision No. 52257, Application No. 36962.)

The following table shows some of the present and proposed basic flat and meter rates.

FLAT RATES

<u>Item</u>	<u>Monthly Rate</u>	
	<u>Present</u>	<u>Proposed</u>
Dwelling without bath, household use only	\$1.50	\$2.50
Dwelling with bath, household use only	2.50	3.50
Motels and hotels, first unit including living quarters	2.50	3.50
Service stations and garages (Other items in schedule not shown)	4.00	5.00

METER RATES

Quantity Rate:		
First 700 cu.ft., per 100 cu.ft.	\$0.35	\$ -
First 800 cu.ft., per 100 cu.ft.	-	0.4375
Next 1,300 cu.ft., per 100 cu.ft.	.30	-
Next 1,200 cu.ft., per 100 cu.ft.		.35
(Other items in schedule not shown)		
Minimum Charge:		
For 5/8 x 3/4-inch meter	2.45	3.50
For 3/4-inch meter	4.00	4.50
For 1-inch meter	6.00	7.00
(Other items in schedule not shown)		

The flat rate schedule, which currently is being superseded as meters are installed, is unduly complex. The order to follow will provide for its simplification.

The following tabulation indicates results of operations as recorded and adjusted for 1957 and as estimated by the staff for 1958.

<u>Item</u>	<u>Year 1957: Recorded</u>	<u>Year 1957 Adjusted:</u>		<u>Year 1958 Estimated</u>	
		<u>Present: Rates</u>	<u>Proposed: Rates</u>	<u>Present: Rates</u>	<u>Proposed: Rates</u>
Operating Revenues	\$ 6,385	\$ 6,385	\$ 8,294	\$ 6,864	\$ 8,830
<u>Deductions</u>					
Operating Exp.	2,963	4,564	4,564	4,671	4,671
Taxes Other Than Income	559	477	477	699	699
Taxes on Income	25	25	326	25	370
Deprec. Expenses	1,536	1,536	1,536	1,671	1,671
Total Deductions	5,083	6,602	6,903	7,066	7,411
Net Revenue	1,302	(217)	1,391	(202)	1,419
Av. Depr. Rate Base		47,793	47,793	51,263	51,263
Rate of Return		Loss	2.9%	Loss	2.8%

(Red Figure)

The town of Kernville now has upwards of 1000 inhabitants and a number of motels and business establishments. Many of these provide their own water from wells. Applicant presently serves about 140 customers and has been requested by property owners to extend service to various locations in and near the town.

Although present service and pressures appear to be satisfactory, the record clearly points to the need for development of additional sources of water supply to meet growing demands. Applicant plans to place a new well in operation during 1959, at an estimated cost of \$7,439, to be paid by outside borrowing.

It will be noted, from the summary of earnings tabulation above, that estimated net revenue for 1958 from the proposed rates only slightly exceeds recorded net revenue at present rates and adjusted net revenue at proposed rates for the year 1957. The staff, in estimating operating expenses for 1958, used as a basis certain adjustments made in 1957 expenses, giving consideration to increased salaries and to other items related to supply and distribution of water under conditions of increasing demand as developed in this record.

The staff's treatment of these expense items, though resulting, in connection with other estimates, in an indicated rate of return of only 2.8% on an average depreciated rate base of \$51,263, appears to us to be reasonable in light of the need demonstrated in this record for additional facilities and supervision for this growing system. We, therefore, adopt the staff's estimates as to revenues, rate base and rate of return, as developed in its study, for the purposes of this proceeding. Also, the recommendations of the staff contained in Chapter 12 of its study, Exhibit 1, are found to be reasonable and will be directed to be carried out by the order which follows.

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

O R D E R

Public hearing having been held herein and the Commission now being fully advised,

IT IS HEREBY ORDERED that:

(1) Applicant, Kernville Domestic Water Co., Inc., is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedule of rates attached to this order as Appendix A and, on not less than five days' notice to this Commission and to the public, to make such rates effective for all service rendered on and after January 1, 1959.

(2) Within forty-five 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, a revised tariff service area map and samples of current forms normally used in connection with customer service. Such rules, tariff service area map and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

(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 not smaller than 200 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 utility properties of applicant.

(4) Beginning with the year 1958, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 3.1 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 when major changes in utility plant composition 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 this Commission.

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

Dated at San Francisco, California, this 14th day of December, 1958

E. Lynn Fox  
 President

Paul J. ...

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Commissioners

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

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Kernville, and vicinity, Kern County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu.ft. or less .....	\$ 3.50
Next 1,200 cu.ft., per 100 cu.ft. ....	.35
Next 2,000 cu.ft., per 100 cu.ft. ....	.30
Next 3,000 cu.ft., per 100 cu.ft. ....	.25
Over 7,000 cu.ft., per 100 cu.ft. ....	.18
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 3.50
For 3/4-inch meter .....	4.50
For 1-inch meter .....	7.00
For 1-1/2-inch meter .....	12.00
For 2-inch meter .....	20.00
For 3-inch meter .....	30.00
For 4-inch meter .....	40.00

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

APPENDIX A  
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Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Kernville, and vicinity, Kern County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
1. For a residence without bath facilities, for household use only .....	\$2.50
a. Additional for bath facilities .....	1.00
2. For a hotel or motel, including manager's living quarters and one rental unit .....	3.50
a. For each additional rental unit	2.50
3. For yard irrigation during the months March through October, inclusive:	
First 7,500 sq.ft. or less of irrigated area .....	1.50
Over 7,500 sq.ft., per 1,000 sq.ft. ....	.50
4. For a service station or garage .....	5.00

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished on a metered basis.
2. Irrigation will not be permitted through open hoses.
3. Meters may be installed at option of utility or at option of customer where the flat rate or the combined flat rate for above classifications equals \$3.50 or more per month, in which event service will thereafter be furnished only on the basis of Schedule No. 1, General Metered Service.