

ORIGINAL

Decision No. 57864

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of JOSEPH MOUREN,
WILLIAM MOUREN and HOWARD MOUREN }
dba MOUREN WATER SERVICE to }
increase rates in Huron, Fresno }
County, California. }

Application No. 40209

Richard V. Aten, for applicants.
C. F. Clark and Kenji Tomita, for the Commission
staff.

O P I N I O N

Joseph Mouren, William Mouren, and Howard Mouren, partners doing business as Mouren Water Service, by the above-entitled application filed June 27, 1958, request an order of this Commission authorizing increases in rates and charges for water service rendered in a portion of the incorporated City of Huron and vicinity in Fresno County. Applicants operate two separate water systems, one of which supplies local well water for general use to about 106 customers and the other furnishes imported water for drinking purposes to about 20 of the same customers. This latter water is transported in tank cars by railroad from Armona, some 25 miles distant.

As shown in Exhibit "B" attached to the application, the general use water rates proposed by applicants are the same as those being charged for similar service rendered by Huron Utility Company, another public utility operating in the same city and supplying areas adjacent to those served by applicants. Increased rates for Armona drinking water are proposed by applicants to cover the higher basic cost of the water delivered in tank cars from Armona and applicants' cost of distributing such water to their customers.

Applicants base their request for higher rates on materially increased costs since 1949 when the present rates were put into effect. Schedules attached to the application show that applicants' net income for the year 1957 was only \$730, representing a return of about 2.2% on the average depreciated rate base for that year. Applicants intend to install an additional water storage tank and water mains which are needed and which will cost approximately \$10,000, if their request is granted.

Public Hearing

After due notice a public hearing on this application was held before Examiner E. Ronald Foster on October 30, 1958, at Huron. A few of applicants' customers were in attendance, two of whom protested the proposed increase in charges unless the water service is improved. Both oral and documentary evidence was introduced by two witnesses on behalf of applicants and by two members of the Commission staff. Subject to the late filing of two exhibits, the latter of which was received by the Commission on November 15, 1958, the matter was submitted for decision.

History of the Utility

The Commission records show that these water systems were installed originally by Angele Mouren to meet the increasing demands of the town of Huron, prior to its incorporation. In Application No. 29072 she was granted a certificate of public convenience and necessity by Decision No. 41361 dated March 23, 1948, at which time schedules of rates were authorized for both the drinking water system and the well water system.

As authorized by Decision No. 46191, dated September 18, 1951, in Application No. 32622, Angele Mouren transferred the public utility property to Joseph Mouren, her son, and William J. Mouren and

Howard E. Mouren, her grandsons, which three now operate the water utility as a partnership in conjunction with their agricultural operations.

Description of the Systems

The larger of applicants' two systems furnishes water for general use, the principal source of supply being a 14-inch well, approximately 600 feet deep, located at the center of Section 10, T.20 S., R.17 E., M.D.B.&M. on land owned by the applicants and leased to Giffen, Inc., a corporation. The well was installed by Giffen primarily for irrigation purposes and is equipped with a 255-horsepower pumping unit capable of delivering 1,000 gallons per minute. Water delivered to the utility from this well flows by gravity through a transmission main some 4,200 feet long to a booster station located at the base of the 30,000-gallon elevated tank, which comprises all of applicants' storage facilities at the present time. After passing through a meter and a sandtrap, the water is pumped directly into the transmission system, with the excess over usage going into the elevated tank, in which the water level determines the static pressure on the system.

The neighboring Huron Water Utility also has a similar storage tank at the same elevation as applicants' tank. The two distribution systems are interconnected with a 3-inch meter, through which the water flows in one direction or the other depending upon the relative system pressures, thus providing applicants with a secondary source of supply when the Giffen well is not in operation. Historically, on an annual basis, the balance of flow has been into applicants' system.

A third source of supply is the applicants' stand-by well capable of producing somewhere between 50 and 100 gallons per minute.

However, the quality of the water from this well is very poor and therefore it is used only in case of extreme emergency when the other two sources fail to supply enough water.

Applicants' smaller system distributes water primarily for drinking and culinary purposes. The water is hauled in Southern Pacific railroad tank cars about 25 miles from Armona to Huron where it is transferred to a tank and then pumped into a separate distribution system consisting of 1-inch galvanized steel piping which parallels some of the mains of the larger system. The drinking water system was originally installed at the time when all of applicants' local supply came from the present stand-by well, the water from which has always been unpalatable.

The utility has a total of approximately 35,000 feet of transmission and distribution mains installed, ranging from 1 inch to 14 inches in diameter. All services on both systems are metered. Applicants have installed 22 wharf-type hydrants in connection with the larger system, 19 of which are located within the city limits and the remaining three outside thereof.

Applicants plan the early installation of a 200,000-gallon storage tank at the base of the existing elevated tank, to provide storage from which the booster plant can take water at times when the Giffen pump is not operating, either during non-irrigating periods or when shut down for repairs and overhauling. It is anticipated that this will make it possible to keep the elevated tank more nearly full at all times and thus maintain better system pressure than is now possible during periods of peak demand. The increased storage should also prevent interruptions in service which have occurred in the past. At some future time, applicants are also planning to install a 6-inch pipeline about 2,500 feet long to interconnect their elevated tank with that of the Huron Utility Company, to facilitate better flows of water between the two utility systems.

Present and Proposed Rates

Applicants' present rates for both systems were established by Decision No. 41361 in Application No. 29072 and became effective April 12, 1948, except that the quantity rate in part of the last block was reduced on September 1, 1949, by authorization of the Commission's Resolution No. W-355. The following comparative tabulations show applicants' present and proposed rates for the two systems:

Schedule No. 1
General Metered Drinking Water Service
 (Armona Water)

| Item | Per Meter Per Month: | |
|------|----------------------|-----------|
| | Present | Proposed: |

Quantity Rates:

| | | |
|--------------------------------------|-------|---------|
| First 100 gallons or less | \$ | \$ 1.50 |
| First 150 gallons or less | 1.50 | |
| Next 850 gallons, per gallon | .01 | |
| Over 100 gallons, per gallon | | .015 |
| Over 1,000 gallons, per gallon | .0075 | |

Minimum Charge:

| | | |
|--------------------------------|------|------|
| For 5/8 x 3/4-inch meter | 1.50 | 1.50 |
|--------------------------------|------|------|

Schedule No. 2
General Metered Well Water Service

| Item | Per Meter Per Month: | |
|------|----------------------|-----------|
| | Present | Proposed: |

Quantity Rates:

| | | |
|--|---------|---------|
| First 5,000 gallons or less | \$ 2.00 | \$ 2.50 |
| Next 10,000 gallons, per 1,000 gallons | .30 | .30 |
| Next 15,000 gallons, per 1,000 gallons | .25 | .275 |
| Next 20,000 gallons, per 1,000 gallons | .20 | .25 |
| Over 50,000 gallons, per 1,000 gallons | .15 | .25 |

Minimum Charge:

| | | |
|--------------------------------|---------|---------|
| For 5/8 x 3/4-inch meter | \$ 2.00 | \$ 2.50 |
| For 3/4-inch meter | 2.50 | 2.75 |
| For 1-inch meter | 3.00 | 3.00 |
| For 1-1/2-inch meter | 4.00 | 5.00 |
| For 2-inch meter | 5.00 | 10.00 |
| For 3-inch meter | 10.00 | 15.00 |
| For 4-inch meter | 20.00 | 20.00 |

Comparisons of the monthly charges for several monthly consumptions at the present and proposed rates of the foregoing schedules are set forth in the following tabulations:

Charges for Armona Water Service

| | | Monthly Charges | | Increase | |
|------------------------|--|-----------------|----------------|----------|----------|
| Consumption in Gallons | | Present | Proposed | Amount | Per Cent |
| Through 100 | | \$ 1.50 (Min.) | \$ 1.50 (Min.) | \$ 0.00 | 0.0% |
| 150 | | 1.50 " | 2.25 | .75 | 50.0 |
| 200 | | 2.00 | 3.00 | 1.00 | 50.0 |
| 300 | | 3.00 | 4.50 | 1.50 | 50.0 |
| 500 | | 5.00 | 7.50 | 2.50 | 50.0 |
| 530 (Avg.) | | 5.30 | 7.95 | 2.65 | 50.0 |
| 600 | | 6.00 | 9.00 | 3.00 | 50.0 |
| 800 | | 8.00 | 12.00 | 4.00 | 50.0 |
| 1,000 | | 10.00 | 15.00 | 5.00 | 50.0 |
| 2,000 | | 17.50 | 30.00 | 12.50 | 71.4 |
| 3,000 | | 25.00 | 45.00 | 20.00 | 80.0 |
| 5,000 | | 40.00 | 75.00 | 35.00 | 87.5 |
| 10,000 | | 77.50 | 150.00 | 72.50 | 93.6 |

Charges for Local Well Water Service

| | | Monthly Charges | | Increase | |
|------------------------|--|-----------------|----------------|----------|----------|
| Consumption in Gallons | | Present | Proposed | Amount | Per Cent |
| Through 5,000 | | \$ 2.00 (Min.) | \$ 2.50 (Min.) | \$ 0.50 | 25% |
| 6,000 | | 2.30 | 2.80 | .50 | 22 |
| 8,000 | | 2.90 | 3.40 | .50 | 17 |
| 10,000 | | 3.50 | 4.00 | .50 | 14 |
| 15,000 | | 5.00 | 5.50 | .50 | 10 |
| 20,000 | | 6.25 | 6.88 | .63 | 10 |
| 25,000 | | 7.50 | 8.25 | .75 | 10 |
| 27,000 (Avg.) | | 8.00 | 8.80 | .80 | 10 |
| 30,000 | | 8.75 | 9.63 | .88 | 10 |
| 50,000 | | 12.75 | 14.63 | 1.88 | 15 |
| 100,000 | | 20.25 | 27.13 | 6.88 | 34 |
| 200,000 | | 35.25 | 52.13 | 16.88 | 48 |
| 300,000 | | 50.25 | 77.13 | 26.88 | 53 |
| 500,000 | | 80.25 | 127.13 | 46.88 | 58 |
| 1,000,000 | | 155.25 | 252.13 | 96.88 | 62 |

There are no filed rates for public fire hydrant service. However, since January 1, 1954, applicants have been collecting from the City of Huron at the rate of \$1.50 for each of the fire hydrants within the city limits. No charge has been made for service to fire hydrants located outside the city limits where fire protection service is rendered by the West Side Fire Protection District. Applicants propose to continue their present practice of charging for public fire hydrant service, with no increase in the rate.

Based on the water use analyses for the year 1957, the over-all effect of applying applicants' proposed rates would be to

increase operating revenues from the drinking water system about 60 per cent and those from the general use system about 29 per cent.

Books and Records

The examination of applicants' records by a Commission staff accountant reveals that all utility transactions have been included as a part of the agricultural operations of the partners and no separate set of records has been maintained for the utility. Those records specifically applicable to utility operations include a customers' ledger, copies of Commission annual reports, work sheets for preparation of annual reports, and certain invoices. With the exception of water purchases and certain power bills, the bulk of the utility operating expenses represent arbitrary charges made at the end of the year for services and facilities provided by the partners during the year.

Utility Plant and Depreciation Reserve

In connection with Application No. 29072, applicants' predecessor in interest presented evidence that investment in operative properties totaled \$31,845 as compared to an opening plant amount of \$16,570 shown in the first annual report filed by the utility in 1948. The difference of \$15,275 can be attributed to the fact that the accountant for the utility did not use a figure representing the original cost of total operative plant, but instead had used a plant figure taken from an income tax depreciation schedule which represented only those properties considered not fully depreciated for tax purposes. Subsequent additions to utility plant have been recorded at cost of materials, plus an estimated value for labor provided by the partners on new installations. It appears that the utility has not capitalized supervisory or administrative overhead charges.

Adjusted utility plant, shown in detail in Table 2-A of the staff report (Exhibit No. 3) reflects adjustments made by the

staff to record the original investment in utility plant at the amount evidenced at the original certification hearing on Application No. 29072, to record unrecorded retirements, to reclassify certain additions to utility plant, to record value of land used for utility purposes but not included in utility plant, and to eliminate certain unsubstantiated additions. The staff's adjusted total utility plant of \$80,927 represents an upward adjustment of \$10,143 to the recorded utility plant of \$70,784 as of December 31, 1957.

The staff's adjusted depreciation reserve of \$33,742 as of December 31, 1957, represents a downward adjustment of \$3,129 to the recorded reserve of \$36,871 and includes adjustments to correct erroneous accounting of plant retirements, to record unrecorded retirements, to correct erroneous capitalization of plant, and to adjust the opening reserve to agree with the related reserve requirement computed by the staff in 1948 on the original operative plant.

The over-all effect of the staff's adjustments results in an increase in net utility plant of \$13,272 as of December 31, 1957. At the hearing, applicants accepted the staff's recommendation that the adjusted utility plant and depreciation reserve balances as of December 31, 1957, shown in the right-hand column of Table 2-A of Exhibit No. 3, be used as the basis for adjusting the various balance sheet accounts in applicants' books.

Summary of Earnings

For evidence in this proceeding pertaining to the need for increased revenue, applicants relied primarily upon the information contained in the application and the exhibits attached thereto, which consist of various schedules taken from applicants' annual report to the Commission for the year 1957 and which do not reflect the above-described staff adjustments to the recorded utility plant and depreciation reserve accounts. Therefore, the results of

operations based on such exhibits are not directly comparable to those shown in the staff report.

Exhibit No. 3 shows the results of the independent investigation and study of applicants' operations prepared by the accounting and engineering representatives of the Commission's staff. The following tabulation summarizes the earnings information as developed by the staff for the year 1957 as recorded and adjusted and as estimated for the year 1958, both at present rates and at the rates proposed by applicants.

SUMMARY OF EARNINGS

| <u>Item</u> | <u>Year 1957 Recorded</u> | <u>1957 Adjusted Present Rates</u> | <u>Proposed Rates</u> | <u>1958 Estimated Present Rates</u> | <u>Proposed Rates</u> |
|------------------------------------|-----------------------------------|--|---------------------------|---|---------------------------|
| <u>Operating Revenue</u> | | | | | |
| Metered Sales (Armona) | \$1,212 | \$ 1,210 | \$ 1,940 | \$ 1,270 | \$ 2,030 |
| Metered Sales (Regular) | 8,472 | 8,480 | 10,940 | 8,640 | 11,150 |
| Fire Hydrants | 342 | 340 | 340 | 340 | 340 |
| Total | 10,026 | 10,030 | 13,220 | 10,250 | 13,520 |
| <u>Deductions</u> | | | | | |
| Purchased Water: | | | | | |
| From Armona | 985 | 1,030 | 1,030 | 1,060 | 1,060 |
| Huron Utility Company | 350 | 370 | 370 | 380 | 380 |
| Subtotal | 1,335 | 1,400 | 1,400 | 1,440 | 1,440 |
| Source of Supply Exp. | - | 60 | 60 | 60 | 60 |
| Power and Pumping Exp. | 1,211 | 1,360 | 1,360 | 1,380 | 1,380 |
| Trans. & Distr. Exp. | - | 300 | 300 | 300 | 300 |
| Customer Ac. & Coll. Exp. | - | 810 | 810 | 840 | 840 |
| General Expense | 1,526 | 1,400 | 1,400 | 1,410 | 1,410 |
| Total Oper. Exp. | 4,072 | 5,330 | 5,330 | 5,430 | 5,430 |
| Taxes Other than Inc. | 345 | 410 | 410 | 430 | 430 |
| Taxes on Income | - | 450 | 1,120 | 450 | 1,130 |
| Depreciation Expense | 4,878 | 2,120 | 2,120 | 2,220 | 2,220 |
| Total Deductions | 9,295 | 8,310 | 8,980 | 8,530 | 9,210 |
| <u>Net Revenue</u> | 731 | 1,720 | 4,240 | 1,720 | 4,310 |
| <u>Weighted Avg. Util. Plant</u> | | 77,370 | 77,370 | 80,930 | 80,930 |
| <u>Avg. Materials & Suppl.</u> | | 600 | 600 | 600 | 600 |
| <u>Working Cash Allowance</u> | | 500 | 500 | 500 | 500 |
| Subtotal | | 78,470 | 78,470 | 82,030 | 82,030 |
| <u>Avg. Depr. Reserve</u> | | 32,680 | 32,680 | 34,850 | 34,850 |
| <u>Avg. Depr. Rate Base</u> | | 45,790 | 45,790 | 47,180 | 47,180 |
| <u>USE</u> | | 45,800 | 45,800 | 47,200 | 47,200 |
| <u>Rate of Return</u> | | 3.8% | 9.3% | 3.6% | 9.1% |

In the foregoing tabulation:

1. Operating revenues are based on metered service to 20 Armona water customers and to 105 general water use customers in 1957 and to 21 and 107 such customers in 1958, thus indicating that the prospects of growth in the community are somewhat limited. Fire hydrant revenues are those obtained from 19 hydrants located in the city limits and do not include potential revenues from three hydrants outside the city.

2. Operating expenses for both years have been normalized to reflect part-time salaries for the owners considered reasonable for a water utility of this type and size, and to include the estimated cost of the instant proceeding amortized over a five-year period.

3. Taxes other than those based on income have been adjusted for the year 1957 and estimated for the year 1958 to include applicable payroll taxes.

4. State and federal income taxes on the utility's earnings for the two years have been estimated at individual income tax rates on a partnership basis without taking into the calculation the standard deduction or personal exemption or other income of the applicants.

5. The annual depreciation accruals for the two test years 1957 and 1958 have been determined by the straight-line remaining life method, consistent with staff practice, and are considerably less in amount than depreciation expense accruals reported by applicants during recent years.

6. In developing the rate bases, the staff has incorporated the adjustments to the utility plant and depreciation reserve previously described and there have also been included allowances for materials and supplies and for working cash.

However, in the summary of earnings as developed by the staff, there is not reflected the cost of water obtained from the Giffen well, which is the principal source of water supplied for general use, nor does the rate base include the cost of the 200,000-gallon storage tank which applicants plan to install.

At the hearing applicants introduced in evidence as Exhibit No. 2 a copy of a ten-year lease executed on September 15, 1957, between applicants herein as lessors and Giffen Inc., a corporation, as lessee, pertaining to the lease of the land upon which is located the well used to supply the applicants with water for their public utility purposes. Among other things, the lease provides that "lessors may take, free of charge, up to 1,000,000 gallons of water per month from the water well"; that "lessors agree to pay their proportionate share of energy and maintenance costs of said well based on the actual quantity of water taken in excess of the 1,000,000 gallons per month"; that "lessors will maintain monthly records of water taken and the P.G. & E. annual power report will establish the energy cost rate and total water production".

Late filed Exhibit No. 4 contains a copy of the annual report for the 1957-58 season prepared for Giffen, Inc. (Huron Ranch) by Pacific Gas and Electric Company, and also other data from which the cost of water supplied from the Giffen well may be determined. From this exhibit the following data has been compiled:

| | |
|---|-------------------|
| Total water pumped from well | 1,631.1 Ac. Ft. |
| Total water pumped from well | 531,495,566 Gals. |
| Water delivered to applicants | 36,555,000 Gals. |
| Total power bills for season | \$12,968.02 |
| Total maintenance and repair costs | 5,946.17 |
| Total annual servicing charge | 150.00 |
| Total water production costs | \$19,064.19 |
| Average production cost per 1,000 gals. | 3.6 cents |
| Cost of 12,000,000 gallons "free" water | \$ 432 |
| Cost of 24,555,000 gallons "excess" water | 884 |
| Cost of 36,555,000 gallons delivered | \$1,316 |

In addition to paying their proportionate share of the energy and maintenance costs for the water in excess of 12 million gallons per year, shown above as \$884, the corresponding cost of \$432 for the "free" water, while not paid out-of-pocket in cash, is a proper charge against the utility operations of the partners. Therefore, the cost of \$1,316 will be used as the best available evidence of the annual cost of water delivered to the utility from the Giffen well under the most recent operating conditions.

When the contemplated 200,000-gallon storage tank will have been put into operation, it is conceivable that the purchase of water from Huron Utility Company will be largely eliminated. Late-filed Exhibit No. 5 shows that in the year 1957 applicants purchased from that company, on an exchange basis, a net amount of 3,499,500 gallons which cost \$350 at the rate of ten cents per 1,000 gallons. If obtained from the Giffen well, the same quantity would cost only \$126 at the rate of 3.6 cents per thousand gallons.

One of the applicants testified that if and when increased rates are authorized which will put the utility on a paying basis, applicants would be willing to finance the installation of the 200,000-gallon steel tank, estimated to cost approximately \$10,000 and that construction thereof can be completed in April, which would be in time to provide the resulting improved service before the higher summer peak loads.

Based on the available evidence it appears feasible to project a reasonable estimate of the rate of return prospectively for a future 12 months' operation under the following conditions:

1. Assuming revenues as estimated by the staff for the year 1958, increased to include revenues from all 22 existing fire hydrants.

2. Adding to utility plant the estimated cost of \$10,000 for a 200,000-gallon covered steel tank, including all necessary valves and connecting pipes to the existing facilities.

3. Revising expenses to include the cost of obtaining all water for general use purposes from the Giffen well at the estimated cost of 3.6 cents per 1,000 gallons.

4. Making corresponding revisions in the staff's 1958 estimates of income and other taxes, depreciation and rate base.

We find that the following tabulation reasonably indicates the results of applicants' operations under the conditions stated above for a year in the immediate future at present rates and at applicants' proposed rates:

SUMMARY OF EARNINGS

| <u>Item</u> | <u>Estimated Future Year</u> | |
|------------------------------------|------------------------------|-----------------------|
| | <u>Present Rates</u> | <u>Proposed Rates</u> |
| <u>Operating Revenue</u> | | |
| Metered Sales (Armona) | \$ 1,270 | \$ 2,030 |
| Metered Sales (Regular) | 8,640 | 11,150 |
| Fire Hydrants | 400 | 400 |
| Total | <u>10,310</u> | <u>13,580</u> |
| <u>Deductions</u> | | |
| Purchased Water: | | |
| From Armona | 1,060 | 1,060 |
| From Giffen Well | 1,470 | 1,470 |
| Subtotal | <u>2,530</u> | <u>2,530</u> |
| Other Operating Expense | 3,990 | 3,990 |
| Total Operating Expense | <u>6,520</u> | <u>6,520</u> |
| Taxes Other than Income | 475 | 475 |
| Taxes on Income | 170 | 850 |
| Depreciation Expense | 2,500 | 2,500 |
| Total Deductions | <u>9,665</u> | <u>10,345</u> |
| <u>Net Revenue</u> | 645 | 3,235 |
| <u>Weighted Avg. Util. Plant</u> | 90,930 | 90,930 |
| <u>Avg. Materials and Supplies</u> | 600 | 600 |
| <u>Working Cash Allowance</u> | 500 | 500 |
| Subtotal | <u>92,030</u> | <u>92,030</u> |
| <u>Avg. Depreciation Reserve</u> | 34,990 | 34,990 |
| <u>Avg. Depr. Rate Base</u> | <u>57,040</u> | <u>57,040</u> |
| USE | 57,000 | 57,000 |
| <u>Rate of Return</u> | 1.1% | 5.7% |

The evidence is clear, as the foregoing tabulations indicate, that revenues obtained from existing water rates are inadequate to meet applicants' reasonable needs. It is further evident that the rates which applicants have proposed will yield revenues which would render a rate of return which is not excessive after providing for all necessary operating expenses.

Adequacy of Service

The record shows that no formal complaints have been filed with the Commission, and no informal complaints within the past three years, concerning the water service rendered by applicants. The utility does not maintain a record of customer complaints, which it should do in accordance with the requirements of the Commission's General Order No. 103. Applicants' witness at the hearing agreed to do this.

Also, the utility should apply to the County Board of Health for a permit to supply water for domestic purposes, as required by the water code of the State of California. To date, periodic investigation of the sanitary conditions of the system made by the Fresno County Board of Health have revealed no violation of the county sanitary code. Applicants' witness stated that he intended to apply for the permit without delay.

At the hearing two customers of the utility voiced protests against any increase in the rates unless past deficiencies of service are corrected. One complained of complete lack of service for protracted periods of time. The other testified that frequently the pressure is so low that the lawn cannot be irrigated at the same time that water is being used inside the building on the premises. A witness for applicant explained that early in 1958, when the pumps at both the Giffen well and the Huron Utility Company's well were simultaneously inoperative, it had been necessary to haul

water in tank trucks, during which time service was admittedly inadequate. Also, at periods of peak demand in the summer time, existing facilities have been unable to keep the elevated tank full enough to maintain proper system pressure. Such inadequacies of service are expected to be remedied by the installation of the proposed 200,000-gallon storage tank.

Fire Protection Service

Since January 1, 1954, applicants have collected from the City of Huron for water service rendered to the 19 public fire hydrants located within the city limits, at the rate of \$1.50 per hydrant per month. No such charge has been made for the utility's three existing hydrants located outside the city limits, where fire protection service is provided by the West Side Fire Protection District. To correct this apparent discriminatory practice, the rate schedules hereinafter authorized to be filed by applicants will include a schedule for public fire hydrant service rendered to political subdivisions of the state generally.

Recommendations

The staff recommended that the partners set up for their public utility water operations, separate and adequate subsidiary accounting records to meet the accounting requirements of this Commission. Such records should include a detailed record of utility plant in order that additions and retirements of utility plant may be properly maintained.

It was also recommended by the staff that applicants file tariff schedules for public fire hydrant service and for water delivered to Huron Utility Company for resale purposes.

The staff made other recommendations pertaining to depreciation accounting practices and the filing of up-to-date rules, maps and sample forms normally used in connection with customer service.

Findings and Conclusions

The Commission finds and concludes that the estimates of operating revenues, expenses, including taxes and depreciation, and the rate bases as submitted by the staff for the years 1957 and 1958, as hereinabove modified and revised, reasonably represent the results of applicants' operations and they will be and hereby are adopted for the purposes of this proceeding.

The Commission further finds and concludes that the increased revenues which would result from the rates proposed by applicants will not be excessive or unreasonable in amount and would produce no more than a reasonable return on the rate base adopted herein. The order which follows will authorize applicants to file the said proposed rate schedules, together with schedules of rates currently being charged for public fire hydrant service and for water delivered for resale purposes.

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

To the extent that the estimated cost of certain improvements and additions to plant have been included in the rate base hereinabove adopted, the order herein will require applicants to make such installations within a reasonable time.

O R D E R

The above-entitled application having been filed with this Commission, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicants Joseph Mouren, William J. Mouren and Howard E. Mouren, partners doing business as Mouren Water Service, are 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 schedules 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 February 1, 1959.

2. Within forty-five days after the effective date of this order, applicants 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, applicants shall file with this Commission 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 utility properties of applicants.

4. Beginning with the year 1958, applicants shall determine depreciation expense by multiplying depreciable utility plant by a rate of 2.8 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 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.

5. On or before April 15, 1959, applicants shall have installed and placed in proper operation a covered steel storage tank of approximately 200,000 gallons' capacity, including necessary valves, fittings and piping for its interconnection with the existing facilities, substantially as proposed by applicants in this proceeding. Applicants shall inform the Commission in writing within ten days after said tank and accessory items have been installed and placed in proper operation.

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

Dated at San Francisco, California, this 13th day of January, 1959.

E. J. Fox
President
E. E. Mitchell
William H. Foster
Theodore J. Jenner
Commissioners

APPENDIX A
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Schedule No. W1

Well Water SystemGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished from the utility's well water system.

TERRITORY

A portion of the City of Huron, and vicinity, Fresno County.

RATES

Quantity Rates:

Per Meter
Per Month

| | |
|--|---------|
| First 5,000 gallons or less | \$ 2.50 |
| Next 10,000 gallons, per 1,000 gallons | .30 |
| Next 15,000 gallons, per 1,000 gallons | .275 |
| Over 30,000 gallons, per 1,000 gallons | .25 |

Minimum Charge:

| | |
|--------------------------------|---------|
| For 5/8 x 3/4-inch meter | \$ 2.50 |
| For 3/4-inch meter | 2.75 |
| For 1-inch meter | 3.00 |
| For 1 1/2-inch meter | 5.00 |
| For 2-inch meter | 10.00 |
| For 3-inch meter | 15.00 |
| For 4-inch meter | 20.00 |

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. D1

Drinking Water SystemGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished from the utility's drinking water system.

TERRITORY

A portion of the City of Huron, and vicinity, Fresno County.

RATES

Quantity Rates:

Per Meter
Per Month

| | |
|------------------------------------|--------|
| First 100 gallons or less | \$1.50 |
| Over 100 gallons, per gallon | .015 |

Minimum Charge:

| | |
|--------------------------------|--------|
| For 5/8 x 3/4-inch meter | \$1.50 |
|--------------------------------|--------|

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. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

A portion of the City of Huron, and vicinity, Fresno County.

RATE

Per Month

| | |
|------------------------|--------|
| For each hydrant | \$1.50 |
|------------------------|--------|

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. W1, Well Water System, General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.

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Schedule No. W6

Well Water System

RESALE METERED SERVICE

APPLICABILITY

Applicable to water from utility's well system delivered to Huron Utility Company for resale purposes.

TERRITORY

A portion of the City of Huron, and vicinity, Fresno County.

RATE

Quantity Rate:

Per 1,000 gallons \$0.10

SPECIAL CONDITION

This schedule is to be applicable only in determining annual charges, if any, which may become due as the result of the net annual balances of water delivered by the utility under its reciprocal exchange arrangement with Huron Utility Company.