

ORIGINAL

Decision No. 58091

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PENINSULA SERVICE )  
CORPORATION to increase its water )  
rates. )Application No. 40413  
(Amended)O P I N I O N

By its application filed on September 8, 1958, and by the first amendment thereto filed on December 15, 1958, Peninsula Service Corporation requests authority to increase rates for water service in its service area which is situated partly within the City of Mountain View and partly outside thereof, approximately two miles north of the center of town, in the County of Santa Clara. The rates requested are estimated to increase revenues by about 30 per cent. In addition, applicant proposes to increase the amount of the deposit to establish credit required of non-property-owner applicants for residential service as stated in Rule 6(a) of applicant's filed rules and regulations. The amount of the deposit is presently \$2.50 and it is proposed that this amount be increased to \$5.00.

History of System

A certificate of public convenience and necessity to operate a public utility water system was granted to Peninsula Service Corporation, and the present rates were established by Decision No. 43473, dated November 1, 1949, in Application No. 30206.

The water supply is obtained from two wells, each having a pumping capacity of 150 gallons per minute. Storage facilities consist of a 20,000-gallon-capacity redwood tank. A 1,500-gallon steel pressure tank is used in the system to maintain the system's pressure between 40 and 75 psi.

Rates, Present and Proposed

The following is a comparison of the utility's present minimum and quantity charges for general metered service and those proposed in the application.

<u>Minimum Charge</u>	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
For 5/8 x 3/4-inch meter .....	\$2.25	\$ 3.00
For 3/4-inch meter .....	2.50	3.50
For 1-inch meter .....	4.00	5.50
For 1-1/2-inch meter .....	6.00	8.00
For 2-inch meter .....	9.00	12.00

The monthly minimum charge will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the following monthly quantity charges.

Quantity Charges

First	700 cu.ft. or less .....	\$2.25	\$ 3.00
Next	800 cu.ft., per 100 cu.ft. .	.30	.35
Next	3,000 cu.ft., per 100 cu.ft. .	.25	.30
Next	5,500 cu.ft., per 100 cu.ft. .	.20	.25
Next	10,000 cu.ft., per 100 cu.ft. .	-	.20
Over	10,000 cu.ft., per 100 cu.ft. .	.15	-
Over	20,000 cu.ft., per 100 cu.ft. .	-	.15

Results of Operation

The annual reports filed by applicant with this Commission show that operating expenses, exclusive of taxes and depreciation, have increased from \$2,157 for the year 1955 to \$3,021 for the year 1957, and that property taxes have correspondingly increased from \$85 to \$207. During the same interval, net revenue has decreased from \$991 to \$130, and end-of-year utility plant has increased from \$22,786 to \$26,334. Customers have increased in number from 78 to 91 in this same two-year period.

Applicant has been accruing depreciation by use of a 5.0% composite straight-line rate applied to its depreciable plant. The staff from its field investigation of applicant's properties has recommended that the straight-line remaining life method be adopted and that a 3.0% composite rate be used. This 3.0% rate will be adopted herein.

The applicant has made no showing of its earnings on a depreciated rate base for a given test period, but in lieu thereof has shown in its Exhibits 1 and 1A, attached to the application and the amendment, income statements for the six months' period ended June 30, 1958, and for the 12 months' period ended December 31, 1957, respectively. Supplemental information developed by the Commission's staff and confirmed by letter from the president of the utility indicates that the application of the proposed rates to the actual number of customers at the end of 1958 would produce approximately \$6,500 in operating revenue. The staff estimates that five customers will be added during 1959, which should result in an additional \$300 of revenue at the proposed rates. The operating expenses, as estimated by the staff from its field investigation and its review of applicant's records, reflect current operating conditions and are considered to be reasonable herein for a utility of this size and of comparable operation.

The results of operation estimated for the year 1959, at both present rates and the rates proposed by applicant, are summarized in the following tabulation showing revenues, expenses and rate base as estimated by the staff.

<u>Item</u>	<u>Year 1959 Estimated</u>	
	<u>Present Rates</u>	<u>Applicant's Proposed Rates</u>
Operating Revenue	\$ 5,300	\$ 6,800
<u>Operating Expenses</u>		
Operating Expenses	3,200	3,200
Taxes other than Income	300	300
Income Taxes	330	820
Depreciation (3% Comp. Rate)	800	800
Total Expense	<u>4,630</u>	<u>5,120</u>
Net Revenue	670	1,680
Average Depreciated Rate Base	19,900	19,900
Rate of Return	3.4%	8.4%

Findings and Conclusions

Based upon the results of operation tabulated above, it is concluded that the present rates are deficient but that the rates proposed by applicant are somewhat excessive. A rate of return of 7.5% is adopted herein as being reasonable. This return applied to the staff rate base of \$19,900 would produce \$1,490 of net revenue. The estimated results of operation for the year 1959 at the rates hereinafter authorized would be as follows:

	<u>Estimated Year 1959</u> <u>Authorized Rates</u>
Operating Revenues	\$ 6,520
Total Expenses	5,030
Net Revenue	<u>1,490</u>
Depreciated Rate Base	19,900
Rate of Return	7.5%

Applicant has no flat rate schedule on file, but has been billing its eight unmetered customers on the basis of the minimum charge for a 5/8 x 3/4-inch meter. In order to avoid discrimination, applicant will be required to install meters for all unmetered customers. The results of operation adopted above reflect this system as being fully metered.

Applicant's proposal to increase the amount of the deposit required of non-property-owner, residential or domestic users from \$2.50 to \$5.00 is justified and will be authorized herein.

Customer Response

On January 6, 1959, a letter was sent to the 91 customers of Peninsula Service Corporation by the Commission staff. This letter provided the customers with information concerning the revenue the utility could expect at its proposed rates, as well as an estimated summary of earnings for the year 1959 should such rates be authorized. There were no replies received from the customers in response to this letter.

O R D E R

The Commission having considered the request of applicant and being of the opinion that a public hearing is not necessary, therefore,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates and charges, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS ORDERED that:

1. Peninsula Service Corporation, a California corporation, is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedule of rates attached to this order as Appendix A and, upon not less than five days' notice to this Commission and to the public, to make said rates effective for service rendered on or after April 16, 1959.
2. a. Applicant is authorized to increase the amount of the deposit required to establish credit for residential service from \$2.50 to \$5.00  
b. 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 printed copies of sample forms normally used in connection with customers' services, all acceptable to the Commission. 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. Applicant, within ninety days after the effective date of this order, shall install meters on all unmetered services, and shall inform this Commission in writing within ten days thereafter.
4. Applicant, within sixty days after the effective date of this order, 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 system properties of applicant.

5. Beginning with the year 1959, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.0 per cent. This rate shall be used until review indicates that 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 twenty days after the date hereof.

Dated at San Francisco, California, this 10<sup>th</sup> day of March, 1959.

[Signature]  
 President

[Signature]

[Signature]

[Signature]  
 Commissioners

## APPENDIX A

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The area including the northerly portion of the City of Mountain View and vicinity, southwesterly of the intersection of Charleston Road and Bayshore Highway, Santa Clara County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 700 cu. ft. or less .....	\$ 2.90
Next 3,800 cu. ft., per 100 cu. ft. ....	.30
Next 5,500 cu. ft., per 100 cu. ft. ....	.25
Next 10,000 cu. ft., per 100 cu. ft. ....	.20
Over 20,000 cu. ft., per 100 cu. ft. ....	.15
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.90
For 3/4-inch meter .....	3.50
For 1-inch meter .....	5.50
For 1-1/2-inch meter .....	8.00
For 2-inch meter .....	12.00

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