

**ORIGINAL**Decision No. 59067

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of WESTERN WATER COMPANY, a corpora-  
tion, for an order authorizing it to  
increase the rates charged by it for  
water.

Application No. 37826  
(Supplemental)

(Appearances and Witnesses are listed in Appendix B)

OPINION ON REHEARING AND FIRST AND SECOND  
SUPPLEMENTAL APPLICATIONS

Rehearing

On November 1, 1957, Western Water Company<sup>1</sup> filed a petition for rehearing of Decision No. 55706 dated October 15, 1957, alleging, among other things, that:

1. The decision is unlawful in certain respects.
2. The rates fixed are confiscatory and deprive applicant of a reasonable return upon the fair value of its property.
3. Allowing rates on a rate base of \$905,000 ignores the fair value of the property of not less than \$1,340,877; ignores the reproduction cost of \$5,619,414; and ignores the present reproduction cost less accrued depreciation of \$3,197,000.
4. The annual depreciation allowance of \$24,000 is \$40,126 too low.
5. Reduction of officers' salaries and director expenses for rate-making purposes constitutes unlawful and unwarranted interference with the internal affairs of applicant.

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<sup>1</sup> Hereinafter referred to as applicant, is an operating public utility, serving water in the area commonly known as the Midway-Sunset Oil Fields in southwestern Kern County, including the cities of Taft and Maricopa, and the unincorporated communities of South Taft, Taft Heights, Ford City and Fellows. Over 5,600 customers are served, representing a population of approximately 22,500 persons.

On November 19, 1957, rehearing herein was granted. The date for such rehearing was delayed pending further analysis and study of applicant's operation.

On April 1, 1959, applicant filed a motion that the Commission set a date for rehearing of the above-entitled matter and consider its supplemental application to establish rates based upon current operations, which due to economic and other conditions were alleged to have materially changed since October 15, 1957.

Applicant's Supplemental Requests

Applicant filed its First Supplemental Application on April 1, 1959, alleging that though the rates prescribed by Decision No. 55706 were inadequate, by reason of its financial condition, it made such rates effective on November 9, 1957; that the first full year of operation under said rates was the calendar year 1958; and that in 1958 it received net operating income materially less than that contemplated by the rates specified in Decision No. 55706. Applicant's proposed new rates were not available when it filed the first supplemental application, indicating that such rates would be filed at least 20 days prior to the hearing date. On May 27, 1959 applicant filed its Second Supplemental Application herein, which contains its proposed rates in Exhibit E (Revised), and now requests the Commission to issue its order and decision authorizing these increased rates. Such rates represent an annual increase of approximately \$69,300 or 14.9 percent of applicant's estimated 1959 revenue. ✓

Public Hearing

After due notice to all appearances at the original hearing, the rehearing and the hearing on the supplemental applications were consolidated and held before Commissioner Matthew J. Dooley and Examiner Manley W. Edwards on July 8, 1959 in Taft. Applicant presented three exhibits and testimony by one witness in support of its request. Testimony and/or exhibits were presented

on behalf of the City of Maricopa, the West Kern County Water District and the West Side Civic Affairs Committee. In addition, two customers testified regarding applicant's service and operations. Also, the Commission's staff made an independent study of applicant's operations for the 1959 estimated year and proposed certain adjustments to applicant's estimates for the purpose of aiding the Commission in deciding these supplemental requests. The matter was submitted at the close of the day's hearing, subject to filing of briefs or summary statements within 10 days after receipt of transcript. The last brief was received on August 10, 1959 and the matter now is ready for decision.

Earning Position

Applicant presented summaries of its earning position for the year 1957 on a decision basis and on a realized basis; for the year 1958 on a recorded basis and on an adjusted basis, and for the year 1959 on an estimated basis. Such earnings are shown by Exhibit No. 34 (on Rehearing) and are as follows:

	<u>Rate of Return</u>
Year 1957 - Decision Basis (Old Rates)	4.43%
Year 1957 - Recorded Basis (Old Rates)	2.90%
Year 1958 - Recorded Basis (Pres. Rates)	5.10%
Year 1958 - Adjusted Basis (Pres. Rates)	4.16%
Year 1959 - Estimated Basis:	
At Present Rates	3.67%
At Proposed Rates	7.11%

The staff, by Exhibit No. 39, showed adjustments to applicant's earnings study as a result of its independent investigation and analysis with the following results:

	<u>Rate of Return</u>
Estimated Year 1959:	
At Present Rates	4.52%
At Proposed Rates	8.08%

The staff's adjustment, as well as the applicant's earning study, was on the basis of straight-line tax depreciation accounting

used by the company and did not show the effect of accelerated depreciation.<sup>2</sup> The applicant's estimate of operating results for the estimated year 1959, which will be considered as the test year, and the results as adjusted by the staff under present rates are shown in more detail in Table I. Applicant took exception to certain of the staff's estimates. These will be decided in the paragraphs following.

TABLE I

SUMMARY OF EARNINGS ESTIMATES FOR 1959  
WESTERN WATER COMPANY  
(At Present Rate Levels)

	Applicant's Estimate	Staff's Estimate	Adopted 1959 Test- Year Results
<u>OPERATING REVENUES</u>			
General Metered Svc. - Sch. A-1	\$ 54,340	\$ 52,890	\$ 52,890
Residential Met. Svc. - Sch. A-1R	216,020	216,970	216,970
General Metered Svc. - Sch. B-1	45,170	45,290	45,290
General Metered Svc. - Sch. C-1	19,770	19,500	19,500
Industrial Met. Svc. - Sch. BC-9M1	123,000	129,700	126,400
Fire Prot. Svc. - Schs. 4, 5 and 5L	4,460	4,460	4,460
Miscellaneous Revenues	2,730	2,000	2,000
<b>Total Operating Revenue</b>	<b>\$465,490</b>	<b>\$470,810</b>	<b>\$467,510</b>
<u>OPERATING EXPENSES</u>			
Source of Supply	\$ 44,090	\$ 44,400	\$ 44,090
Pumping	119,640	122,450	121,940
Water Treatment	460	--	460
Transmission and Distribution	57,600	57,220	57,100
Customer Acct. & Coll.	18,650	18,500	18,650
Administration & General & Misc.	93,800	85,690	90,000
Wage Increase	5,260	*	5,260
Depreciation	32,430	33,160	32,430
Taxes:			
Other than Income	39,700	38,420	39,700
Income (Str-Line Depr.)	19,820	29,440	22,000
<b>Total Operating Expenses</b>	<b>\$431,450</b>	<b>\$429,280</b>	<b>\$431,630</b>
<b>NET REVENUE</b>	<b>34,040</b>	<b>41,530</b>	<b>35,880</b>
<b>RATE BASE (Depreciated)</b>	<b>928,000</b>	<b>919,000</b>	<b>919,000</b>
<b>RATE OF RETURN</b>	<b>3.67%</b>	<b>4.52%</b>	<b>3.90%</b>

\*Wage increase is included in the staff's various expense items.

<sup>2</sup> The question of what rate treatment should be accorded to accelerated depreciation options for income tax purposes is being studied by the Commission under Case No. 6148, but has not been decided as yet. Following decision thereon the Commission will promptly move to make any rate adjustment that may appear warranted.

### Revenues

The staff's estimate of operating revenues for the test year 1959 is \$5,320 or 1.1 percent greater than applicant's estimate. The largest difference here is in the item of industrial sales. Applicant represents that the staff's estimate neglected such items as: the loss in revenues resulting from the transfer of certain customers from the industrial service schedule to general service Schedule B-1 as required by this Commission in Decision No. 55706; the recent reduction in water consumption in oil field operations, and the effect of increased rainfall and lower temperatures in 1958 on these estimates. The staff's higher industrial estimate was set at a level approximately 10 percent higher than the 1958 recorded figure, whereas the applicant's estimate was only 3 percent.

In resolving this item the Commission is aware that certain water sales to the Southern California Gas Company and sales to the Elk Hill Naval Reserve Center, operated by the Standard Oil Company of California, have been permanently reduced or discontinued. The Commission finds reasonable and adopts a revenue estimate of \$467,510 for the test year 1959, which sum is \$3,300 less than the staff estimate.

### Operating Expenses

The staff's total operating expenses are \$2,170, or only 0.5 percent, lower than applicant's. Applicant stated that the staff's method of determining payroll allowances by allocating only 85 percent to operation and the remainder to construction is both unrealistic and improper inasmuch as during the year 1958, the year of highest construction in applicant's recent history, the actual spread of payroll was 94 percent operation and 6 percent to construction; that the staff has incorrectly and unjustly reduced the allowance for salaries of general officers below those actually paid by \$4,460; and that the staff has arbitrarily reduced the expenditure at the level of \$6,000 for Account No. 799 (Miscellaneous General

Expenses, which includes Board of Directors' expenses of \$4,850 in 1958) to \$2,500. The Commission is advised that applicant has reduced its administration and general expenses by \$300 per month by consolidating the work of the general officers and combining certain responsibilities on retirement of the president, and has been testing about 4 percent more meters per year than the 10 percent required by the new General Order No. 103.

In resolving this matter, it would make little difference in final results which estimate is adopted and, since applicant has taken steps to economize and improve its efficiency of operation essentially we will adopt applicant's estimate after a \$500 adjustment for meter testing expense, a \$3,800 adjustment to administrative and general expense contemplating further economy of operations and usual disallowances for dues, donations and political contributions, a revision in income taxes because of the higher net revenue and the recent increase in the state franchise tax from 4 percent to 5½ percent, and an increase in the cost of gas for pumping just allowed by the Commission (effective August 1, 1959) of \$2,300 per year. Accordingly, the Commission adopts and finds reasonable an amount of \$431,630 as the operating expenses and \$35,880 as the net revenue for the test year.

#### Rate Base

Applicant's estimated weighted depreciated rate base is \$9,000 or only 1.0 percent higher than the staff's estimate. Applicant states that its greatest concern has been the methods adopted by the Commission in formulating the \$905,000 rate base used in Decision No. 55706 wherein a depreciation reserve some \$430,000 greater than actual depreciation was deducted from its historical cost of plant in arriving at a depreciated rate base. The applicant's and the staff's rate base estimated for the test year 1959 are set forth in Table II.

TABLE II  
SUMMARY OF RATE BASE ESTIMATES FOR 1959  
WESTERN WATER COMPANY

	<u>Applicant's Estimate</u>	<u>Staff's Estimate</u>	<u>Adopted 1959 Test- Year Results</u>
Utility Plant (as of 12-31-55)			
Intangible Plant	\$ 776	\$ -	\$ -
Landed Capital	70,697	-	-
Wells, Structures, Improvements	136,329	-	-
Pumps, Structures, Improvements	446,206	-	-
Reservoirs and Tanks	187,688	-	-
Transm. & Distrib. Mains	1,172,477	-	-
Services and Meters	141,858	-	-
Other Transm. & Distrib. Plant	5,295	-	-
General Plant	100,607	-	-
Undistributed Items	32,288	-	-
Total Fixed Capital(12-31-55)	<u>2,294,221</u>	<u>-</u>	<u>-</u>
Net Plant Additions 1956	48,041	-	-
Net Plant Additions 1957	34,247	-	-
Net Plant Additions 1958	129,301	-	-
Construct. Work in Progress 1959	10,000	-	-
Accounting Adjustment - Net	( 31,667)	-	-
Wtd. Avg. Plant Additions - 1959 Est.	<u>54,937</u>	<u>-</u>	<u>-</u>
Total Weighted Average Plant for Test Year 1959	2,539,080	2,536,400	2,536,400
Modifications:			
Contributions in and on Constr.	( 23,500)	( 23,000)	( 23,000)
Advances for Construction	( 20,000)	( 18,000)	( 18,000)
Materials and Supplies	35,000	30,000	30,000
Working Cash	32,000	24,200	24,200
Deduction for Depreciation	(1,634,980)	(1,631,000)	(1,631,000)
Total Modifications	<u>(1,611,480)</u>	<u>(1,617,800)</u>	<u>(1,617,800)</u>
Weighted Average Depreciated Rate Base	927,600	918,600	918,600
Rounded Rate Base Used	\$ 928,000	\$ 919,000	\$ 919,000

Red Figure

### Utility Plant

The historical or original cost of applicant's utility plant is shown in the same amount as used in Decision No. 55706 for December 31, 1955, and net plant additions for 1956, 1957, 1958 and weighted average net additions for 1959 are added to arrive at the total weighted average plant in the amount of \$2,539,080. The staff adjusted this figure to reflect certain retirements of plant which had not been recorded on applicant's books (i.e., tank and roof, transmission line) and stated that the applicant's witness acceded to this

adjustment. Accordingly, we find and adopt as reasonable the staff's figure of \$2,536,400 as the weighted average plant for the test year 1959.

Modifications to Rate Base

The staff's modifications to rate base with regard to contributions and advances for construction were adjusted to reflect more current information than that used by applicant in preparation of its estimate. The materials and supplies estimate by the staff reflects a decline in the recorded amounts in the books of the applicant. The applicant represents that the staff's estimate of working cash of \$24,200 is \$7,800 too low because its actual monthly bank activity averages in excess of \$32,000; because no interest during construction is charged; and because the Commission found a figure of \$31,200 fair and reasonable previously and nothing has transpired since that time to indicate a reduction in applicant's requirements for working cash. The staff's lower working cash estimate is due to the accrual of income taxes that result from the estimated tax liability at proposed rates. It appears appropriate to the Commission to use the staff's modifications to rate base as above discussed.

Deduction for Depreciation

Applicant states that in Decision No. 55706 the Commission based its results upon the cost of properties of the company minus the depreciation reserves as per books of the company, which book reserves were determined arbitrarily by the officers of the company and bear no relation to the actual depreciation as of the date of the decision or any period subsequent thereto. Applicant represents that such a depreciated rate base is inadequate and that rates predicated upon such a rate base are inadequate. Applicant refers back to a fundamental change in rate-making policy made by this Commission prior to 1950 when it switched over from the use of an undepreciated rate base and sinking fund depreciation allowances to a depreciated rate base and straight-line depreciation allowances. For a utility with a large



book depreciation reserve such switch-over may be serious, also at the same time the Commission indicated it was favorable to the adoption of remaining life depreciation which, with a book reserve larger than accrued depreciation, might result in insufficient annual depreciation allowances thereafter.

Applicant stated that it became necessary to determine the depreciated costs of the properties as of the date of the switch-over and, accordingly, it submitted inventories and appraisals of its property, both on an historical cost basis and the reproduction cost new basis, together with reports showing the accrued depreciation which had been sustained by the property as of the time of such evaluation; that, subsequently, it has furnished reports of additions and betterments, so these appraisals are up to date; that based on the evidence which was adduced in the earlier hearings, the amount of the depreciation so deducted in formulating the \$905,000 rate base allowed in Decision No. 55706 was in excess of actual depreciation by \$430,000, in addition to certain erroneous charges to surplus which this Commission authorized the applicant to correct and which have been corrected.

In view of the alleged delay and manifest inadequacy of the present rates, applicant is most anxious to expedite the decision on rehearing and in its exhibits has restored only \$125,000 of its claimed excess depreciation to the rate base by adjusting downward the average book depreciation reserve for 1959 to \$1,634,980 for rate-making purposes. The Commission staff's engineer made a current inspection of the properties for the purpose of verifying the depreciation and did not suggest restoration of this \$125,000 adjustment. The staff engineer used applicant's depreciation reserve figure of \$1,634,980 as his starting point and adjusted it downward to \$1,631,000 to reflect unrecorded retirements which are not reflected in applicant's figure.

The West Side Civic Affairs Committee passed a resolution opposing the adjustment to the depreciation reserve. Their views on this matter have been considered. However, consideration must also be given to the evidence on depreciation reserve requirement and to a review of applicant's prior practices in computing depreciation. After considering all of the factors in this matter, the Commission finds and concludes that the depreciation reserve is overstated and that the \$125,000 deduction from depreciation reserve is reasonable in this particular circumstance for rate making purposes for the test year 1959, and the applicant also will be authorized to restate its book reserve by said \$125,000. Therefore, we adopt and find reasonable the staff's figure of \$1,631,000 for the 1959 deduction for depreciation.

So as to avoid future controversy on depreciation, and to provide for equitable treatment to the rate payer and the applicant, the utility will be ordered to adopt the straight line remaining life method of depreciation and to make periodic reviews of the remaining lives and the net salvage it uses.

#### Weighted Average Depreciated Rate Base

When the staff's modifications to rate base, which total \$1,617,800, are deducted from the weighted average original cost of plant of \$2,536,400, a weighted average depreciated rate base of \$918,600 results. The staff has rounded this amount to \$919,000, which amount we find fair and reasonable and adopt for rate-making purposes for the test year 1959.

#### Rate of Return

Applicant did not offer in evidence any additional testimony on financial requirements or cost of money at this time for the reason that not only may this Commission take official notice of the increase in cost of money to public utilities in California, but since 1956, this Commission has authorized the issue of stocks and bonds by many utilities which show that since the financial evidence

was adduced in the earlier proceedings, the cost of money has constantly increased, and today, in fact, the cost of bond money is at a new high. Applicant now takes the position that the rate of return heretofore allowed in this case is a minimum that can and should be allowed.

Applicant has outstanding some 21,000 shares of \$35 common stock on which it has stopped paying dividends. There is no preferred stock or bonded indebtedness outstanding. Previously this utility, on its common stock, paid a dividend of \$4 per share for a number of years, but this was reduced to \$3 and then to \$2 and now applicant has discontinued the payment of dividends because of the low earning position. Applicant represents that net earnings in the neighborhood of \$70,000 are required in order to pay the dividends at \$2 per share and to provide a small cushion so that it can operate and make plant additions, and that more than a 7.25 percent rate of return is necessary to provide \$70,000 of net revenue.

We have reconsidered our former allowance of 7.0 percent rate of return, but the fact that bond and preferred money costs have increased since our last order is not decisive of the issue of rate of return; applicant has no bonds or preferred stock outstanding. The Commission does not rely solely upon financial requirements in determining the level of such return. The lawful interests of both consumer and investor must control the rate of return. We are of the opinion, and so find, that a 7.0 percent rate of return is fair and reasonable for rate-making purposes for the estimated year 1959. When a rate of return of 7.0 percent is applied to a depreciated rate base of \$919,000 hereinbefore found reasonable, an over-all increase in annual gross revenue of \$64,000 is found to be required. This increase is approximately 92 percent of the increase applicant estimates its proposed new rates will produce.

Positions of the Parties

The Mayor of the City of Maricopa presented testimony and a resolution of the City Council requesting the Commission to defer action on the rehearing and to continue the same for ninety days in order to afford the West Kern County Water District sufficient time to complete a study contemplating the ultimate acquisition of the properties of the applicant.

The president of the West Kern County Water District presented testimony and a resolution of the Board of Directors of the district indicating its intent to make a comprehensive study of the engineering and financial requirements which must precede the eventual construction of what it proposes as an improved and modernized water system; indicating its opposition to higher rates which would improve the position of the stockholders at the expense of the consumers within the boundaries of the water district in the event that the negotiation for the sale of the applicant's properties be entered into as a step toward the improvement of service; and asking the Commission to defer granting the requested increase until the water consumers have accepted or rejected the bond proposal of the water district.

The chairman of the West Side Civic Affairs Committee presented testimony and a petition to deny any further increase in rate base or allowable service rates as charged by the applicant, where any or a part thereof are based on replacement of increases to the depreciation accounts, or any accounting machination to accomplish such, or that which may be based on excessive administration costs, or any proposal which in the end would mean double payment by the rate payers for a minimum of service.

The applicant opposed the two resolutions on the basis that they are merely proposals to build a new system or to acquire its system and that they express hopes by means of one or the other to furnish water to these people at different rates than now charged or proposed; but, in the meantime, it may take years before this district

is in position to sell its bonds or acquire a water service; for instance, if it decides to build a water system it will be years before that water system could be built. In the meantime, applicant states it has operating expenses to meet and is entitled to a fair and reasonable return on its investment, and does not seek to improve its stockholders' position other than to pay what it considers as a modest \$2 dividend on its common stock. Furthermore, applicant has pointed out that a depreciated rate base used for rate-making purposes has no relation to a reproduction cost new depreciated evaluation in a condemnation action or a fair market value in condemnation or for a sale of the property.

A customer from Taft testified that she is paying about double the amount for water that a friend of hers pays in Bakersfield with a two-bathroom house and a large lot. She also indicated that over the peak-load hours the pressure was low. This customer did not protest against the quality or purity of the water but expressed the view that the rates are high for the water and service received.

Another customer took issue over the fact that applicant's witness had selected the usages in certain hot months to sustain his estimate of above normal usage in the first part of 1959 but did not consider that February and May were colder than normal in Taft.

#### Rate Spread

For the commercial customers on the general service rate and the domestic customers on the residential rate in Taft, applicant proposes an approximate 18 percent increase. For Zone B, outside of the Taft area, applicant proposes an approximate 13.7 percent increase in the general service rate. For Maricopa, in Zone C, applicant proposes an approximate 10.9 percent increase. For the industrial service the proposed increase is approximately 8.8 percent. The present proposed and authorized rates are discussed in more detail in the paragraphs that follow.

Rate Structure Improvement

Applicant did not propose any change in the three zones, A, B, and C for the general service rates, nor did it propose any improvement in rate form, other than to propose larger increases in the initial charges than in the average increases proposed for each class of service.

In Zone A applicant has a general service schedule, A-1, and a residential service schedule, A-1R, that should be consolidated under one schedule. This is one of the few places in the State where separate and lower water rates are available to the residential customer other than the regular general service customer. In Zones B and C, the residential customers do not enjoy a special rate lower than the other classes of customers and take service on the general service schedules, B-1 and C-1. An appropriate increase can be applied to yield the required revenue increase approximately within the over-all 18 percent proposed by applicant for Zone A, but hold the initial charge increase to about 13 percent so as not to unduly burden the small customer. Further, this modified rate schedule will result in approximately the same charge for the average residential customer as the rate proposed by the applicant.

Also, the rate blocking is different as between the general service rates in Zones A, B and C as follows:

<u>Zone A</u>	<u>Zone B</u>	<u>Zone C</u>
First 500 cu.ft.	First 600 cu.ft.	First 400 cu.ft.
Next 1,500 cu.ft.	Next 4,400 cu.ft.	Next 600 cu.ft.
Next 3,000 cu.ft.	Over 5,000 cu.ft.	Next 4,000 cu.ft.
Over 5,000 cu.ft.		Over 5,000 cu.ft.

By revising these blockings to that now under Zone A, and by making appropriate rate adjustments to stay within the approximate class increases sought by applicant, further rate improvement should result. The rates would be easier to compare and understand, and the elimination of one schedule would simplify applicant's billing and accounting problem and should reduce costs partly in substantiation of our

adoption of reduced costs in 1959 below the costs estimated by applicant.

In the Commission's opinion it is proper to continue the three-zone system of rates in order to reflect the added costs to serve in Zones B and C, taking into account customer density, number of customers, location of customers and added pumping and operating costs compared to the average cost-to-serve per customer in Taft at the center of load of the system.

Authorized Rates

After transfer of the customers on Schedule A-1R to Schedule A-1, and elimination of Schedule A-1R, and after revision of the rate blocking on Schedules B-1 and C-1 to that of Schedule A-1, the following levels of rates will be authorized.

<u>Rate Blocking</u>	<u>Authorized General Service Rates</u>		
	<u>Per Meter Per Month</u>		
	<u>Sch. A-1</u>	<u>Sch. B-1</u>	<u>Sch. C-1</u>
First 500 cu.ft. or less .....	\$2.60	\$3.25	\$3.50
Next 1,500 cu.ft., per 100 cu.ft. ....	36¢	42¢	53¢
Next 3,000 cu.ft., per 100 cu.ft. ....	32¢	38¢	39¢
Over 5,000 cu.ft., per 100 cu.ft. ....	28¢	32¢	32¢

The rate increases authorized for the industrial service, Schedule BC-9M1 will be the approximate 8.8 percent over-all increase proposed by applicant, as follows:

<u>Present and Authorized Industrial Rates</u>	
	<u>Present</u> <u>Authorized</u>
First 100,000 cu.ft., per 100 cu.ft. ....	53¢            56¢
Next 400,000 cu.ft., per 100 cu.ft. ....	35¢            40¢
Over 500,000 cu.ft., per 100 cu.ft. ....	26¢            26¢

Findings and Conclusions

After considering the evidence of record the Commission finds and concludes:

1. The costs of doing business, including wages and fuel for pumping, have increased since the present level of rates was set in 1957 and that revenue from industrial sales has declined since 1957 and reasonably cannot be expected to recover to the level estimated in our prior decision.

2. That the Commission's adopted operating results and adjusted rate base do not indicate that applicant will earn a reasonable rate of return in the future under present rate levels unless further increases are authorized.

3. That the requests of City of Maricopa and West Kern County Water District for delay in increasing rates pending study of acquiring applicant's system or building of a new system is not warranted by the evidence of record in this proceeding.

4. That in the area where the customer complained of low water pressure, applicant has plans for replacement of a 2-inch line with a 4-inch or 6-inch line.

5. That in computing the rate increase to be allowed the Commission principally has used the average-year estimates of the staff which are not distorted by wet or dry years.

6. That an order should be issued increasing the rates, equalizing the blocking and adjusting as between zones and rate levels in the manner discussed herein under "Rate Spread" and related topics.

7. That the rates and charges authorized herein are justified and existing rates, insofar as they differ therefrom, are, for the future, unjust and unreasonable.

The increases being authorized, segregated by classes of service, under the adopted level of sales for the estimated test year 1959 follow.

<u>Class of Service</u>	<u>Sales C. Cu.Ft.</u>	<u>Revenue at Present Rates</u>	<u>Revenue Increase Amount</u>	<u>Ratio</u>
Sch. A-1 Gen. Svc.	162,190	\$ 52,890		
Sch. A-1R Res. Svc.	610,450	216,970		
Consolidated Basis	772,640	269,860	\$47,000	17.4
Sch. B-1 Gen. Svc.	114,800	45,290	5,000	11.0
Sch. C-1 Gen. Svc.	36,640	19,500	2,000	10.3
Sch. BC-SM1-Indl. Svc.	257,000	126,400	10,000	7.9
Fire Protection	--	4,460	--	--
Miscellaneous	--	2,000	--	--
<b>Total</b>	<b>1,181,080</b>	<b>\$467,510</b>	<b>64,000</b>	<b>13.7</b>



O R D E R

Western Water Company having requested and been granted rehearing of Decision No. 55706 and having requested additional increases in rates, public hearing having been held, the matter having been submitted for decision, and the Commission finding that further increases in rates and charges are justified; therefore,

IT IS ORDERED that:

1. On rehearing Decision No. 55706 is affirmed, except as specifically modified herein.
2. Pursuant to the supplemental applications, applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, revised tariff schedules as set forth in Appendix A attached hereto, and upon not less than five days' notice to the Commission and to the public, to make said tariff schedules effective for service rendered on and after October 26, 1959.
3. At the time of making effective the rates authorized by ordering paragraph 2 hereof, applicant shall withdraw and cancel Schedule No. A-1R and transfer the customers to Schedule No. A-1.
4. Applicant is authorized to adjust its depreciation reserve balance as of January 1, 1959, by transferring the amount of \$125,000 from account 250 - Reserve for Depreciation of Utility Plant to account 270 - Capital Surplus and beginning with the year 1959, applicant shall determine the accruals to the depreciation reserve

for each primary plant account by dividing the original cost of utility plant, less estimated future net salvage less depreciation reserve by the estimated remaining life of the surviving plant of the account. Applicant shall review the accruals when major changes in utility plant composition occur and for each plant account at intervals of not more than three years. Results of these reviews shall be submitted to the Commission not later than May 1 of the review year.

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

Dated at San Francisco, California, this 29<sup>th</sup> day of September, 1959.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners

Commissioner Theodore H. Jenner being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. A-1

Zone A Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Taft and the unincorporated communities of Taft Terrace, Taft Heights, South Taft and Ford City, and vicinity, Kern County.

RATES

Per Meter  
Per Month

Quantity Rates:

First	500 cu.ft. or less .....	\$2.60
Next	1,500 cu.ft., per 100 cu.ft. ....	.36
Next	3,000 cu.ft., per 100 cu.ft. ....	.32
Over	5,000 cu.ft., per 100 cu.ft. ....	.28

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$2.60
For	3/4-inch meter .....	3.00
For	1-inch meter .....	4.50
For	1 1/2-inch meter .....	6.50
For	2-inch meter .....	10.00
For	3-inch meter .....	16.00
For	4-inch meter .....	26.00
For	6-inch meter .....	45.00
For	8-inch meter .....	60.00
For	10-inch meter .....	80.00

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

Schedule No. B-1

Zone 3 Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service other than for industrial purposes.

TERRITORY

The unincorporated territory in Midway Oil Field, including the communities of Derby Acres, Dustin Acres, Valley Acres and Fellows, and vicinity, Kern County.

RATES

Per Meter  
Per Month

Quantity Rates:

First 500 cu.ft. or less .....	\$3.25
Next 1,500 cu.ft., per 100 cu.ft. ....	.42
Next 3,000 cu.ft., per 100 cu.ft. ....	.38
Over 5,000 cu.ft., per 100 cu.ft. ....	.32

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$3.25
For 3/4-inch meter .....	4.00
For 1-inch meter .....	5.00
For 1 1/2-inch meter .....	6.50
For 2-inch meter .....	10.00
For 3-inch meter .....	16.00
For 4-inch meter .....	26.00
For 6-inch meter .....	45.00
For 8-inch meter .....	60.00
For 10-inch meter .....	80.00

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 3 of 5

Schedule No. C-1

Zone C Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service other than for industrial purposes.

TERRITORY

The City of Maricopa and vicinity, Kern County.

RATES

Per Meter  
Per Month

Quantity Rates:

First 500 cu.ft. or less .....	\$3.50
Next 1,500 cu.ft., per 100 cu.ft. ....	.53
Next 3,000 cu.ft., per 100 cu.ft. ....	.39
Over 5,000 cu.ft., per 100 cu.ft. ....	.32

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$3.50
For 3/4-inch meter .....	4.25
For 1-inch meter .....	5.00
For 1 1/2-inch meter .....	6.50
For 2-inch meter .....	10.00
For 3-inch meter .....	16.00
For 4-inch meter .....	26.00
For 6-inch meter .....	45.00
For 8-inch meter .....	60.00
For 10-inch meter .....	80.00

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 4 of 5

Schedule No. BC-9M1

Zones B and C Tariff Areas

INDUSTRIAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished for industrial purposes.

TERRITORY

The City of Maricopa, and the unincorporated communities of Derby Acres, Dustin Acres, Valley Acres and Fellows, and vicinity, Kern County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rates:	
First 100,000 cu.ft., per 100 cu.ft. ....	\$ 0.56
Next 400,000 cu.ft., per 100 cu.ft. ....	.40
Over 500,000 cu.ft., per 100 cu.ft. ....	.26
Minimum Charge:	
For 2-inch meter or smaller .....	\$13.50
For 3-inch meter .....	17.00
For 4-inch meter .....	26.00
For 6-inch meter .....	45.00
For 8-inch meter .....	60.00
For 10-inch meter .....	80.00

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

SPECIAL CONDITION

Where more than one meter is installed per customer the monthly billing will be based upon combining the monthly consumption of the two or more meters through which service is rendered. The monthly minimum charge will be determined by adding the minimum charges for the separate meters.

Schedule No. 7

SERVICE TO GOVERNMENTAL AGENCIES

APPLICABILITY

Applicable to service for water drawn from fire hydrants for street cleaning and sewer flushing.

TERRITORY

The City of Taft and territory outside of incorporated cities, Kern County.

RATES

	<u>Per Month</u>
City of Taft, per 100 cu.ft. ....	\$0.28
County of Kern, per 100 cu.ft. ....	.32

SPECIAL CONDITION

The above rates apply to service from hydrants where a meter and service connection is prohibited, but a temporary hose connection is authorized by the Chief of the Fire Department of the city, district or county, as the case may be. All other service for street cleaning and sewer flushing will be furnished under the applicable meter schedule.

APPENDIX B

LIST OF APPEARANCES  
ON REHEARING AND SUPPLEMENTAL APPLICATIONS

For Applicant: Chickering & Gregory, by Walter C. Fox, Jr.,  
and Hayden Ames.

Protestants: John F. Ellis, M. D., for West Kern County Water  
District; William E. Devine, Mayor, for City of Maricopa;  
Leonard S. Thomson, Chairman, for West Side Civic Affairs  
Committee; and Henry G. Baron, for City of Taft.

Interested Party: Rex R. Mull, Chief Deputy County Counsel,  
for County of Kern, School District.

Commission Staff: Cyril M. Saroyan, C. T. Coffey and  
John F. Donovan.

LIST OF WITNESSES  
ON REHEARING AND SUPPLEMENTAL APPLICATIONS

Evidence was presented on behalf of applicant by: Roy A. Wehe.

Evidence was presented on behalf of interested parties and  
protestants by: Mayor William E. Devine, Dr. John F. Ellis,  
Leonard S. Thomson, Rita Price, and Leon Fletcher.

Evidence was presented on behalf of the Commission staff by:  
Colin Garrity and Ross W. Werner.