

ORIGINALDecision No. 59768

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 PATTERSON CITY WATER COMPANY, a
 corporation, for authority to increase
 the rates for service rendered in and
 in the vicinity of the City of
 Patterson, Stanislaus County,
 California.

Application No. 41296

J. D. Patterson and William Stava, for applicant.

Elmer Sjostrom and L. L. Thormod, for the
 Commission staff.

O P I N I O N

By the above-entitled application, filed July 13, 1959, Patterson City Water Company, a corporation, seeks authority to increase rates and charges for water service rendered in the City of Patterson, and vicinity, in Stanislaus County. Applicant has proposed rates which are designed to produce approximately \$11,825, or 35%, more revenue than the rates presently in effect, on the basis of operations for the year 1958.

The application states that additional revenue is required in order to provide sufficient funds for operating expenses, an allowance for depreciation, and a reasonable return on the investment in facilities used in the public service, and also to make up the annual loss of approximately \$2,600 in revenue resulting from the moving, on or about July 1, 1959, of one of applicant's large consumers to another city.

Public Hearing

After due notice, a public hearing was held before Examiner E. Ronald Foster at Patterson on January 20, 1960. A few of

applicant's customers attended the hearing, but none testified nor protested the proposed increase in rates. Following the presentation of evidence, both oral and documentary, by applicant and by two Commission staff witnesses, the matter was submitted.

Description of the System

Water for this system is obtained from three wells equipped with electrically operated deep-well turbine pumping equipment capable of producing 2,080 gallons per minute. The water is discharged by the pumps into sand traps and thence delivered either directly into the distribution system or into a 40,000-gallon wooden tank elevated on a 60-foot steel tower. The pump controls are set to maintain system pressures ranging from about 28 to 35 pounds per square inch.

The water is distributed through approximately 70,000 feet of mains varying in diameter from one inch to eight inches. As of August 31, 1959, there were 807 active service connections, all metered except eight which are supplied on a flat rate basis. There are also 78 public fire hydrants connected to the distribution system.

Rates, Present and Proposed

Following is a comparative tabulation of the rates presently being charged and those proposed by applicant for metered service:

Metered Service

	<u>Item</u>	<u>Monthly Rate</u>	
		<u>Present</u>	<u>Proposed</u>
Quantity Rates:			
First	400 cu.ft. or less	\$	\$ 1.40
First	500 cu.ft., per 100 cu.ft.	0.26	
Next	600 cu.ft., per 100 cu.ft. ....		.26
Next	1,000 cu.ft., per 100 cu.ft. ....		.25
Next	1,500 cu.ft., per 100 cu.ft. ....	.185	
Next	18,000 cu.ft., per 100 cu.ft. ....	.15	.20
Next	30,000 cu.ft., per 100 cu.ft. ....	.11	.15
Next	100,000 cu.ft., per 100 cu.ft. ....	.065	.09
Over	150,000 cu.ft., per 100 cu.ft. ....	.045	.06

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.00	\$ 1.40
For	3/4-inch meter	-	2.00
For	1-inch meter	1.50	3.00
For	1½-inch meter	2.25	5.00
For	2-inch meter	4.50	8.00
For	3-inch meter	9.00	15.00
For	4-inch meter	20.00	25.00
For	6-inch meter	35.00	45.00
For	8-inch meter	45.00	65.00

The proposed rates would result in increases in charges ranging from 27.7 to 36.1 percent for various monthly water consumptions. For the average monthly consumption of 1,800 cubic feet indicated by the metered water use analysis for the year 1958, the monthly water bill would be raised from \$3.705 at present rates to \$4.96 at the proposed rates, or an increase of 33.9 percent.

Applicant's present and proposed rates for flat rate service and the resulting percentage increases are shown in the following tabulation:

Flat Rate Service

<u>Item</u>	<u>Monthly Rate</u>		<u>Percent Increase</u>
	<u>Present</u>	<u>Proposed</u>	
Minimum Charge	\$1.00	\$1.40	40.0%
Domestic Use	1.00	1.40	40.0
Each additional fixture in excess of two	.25	.35	40.0
Restaurants	2.50	3.40	36.0
Hotels, 10 rooms or less	3.50	4.75	35.7
Stores, each 25 ft. frontage or fraction thereof	.75	1.00	33.3
Public toilets	1.50	2.00	33.3
Additional toilets or urinals	.25	.35	40.0
Bakeries	1.50	2.00	33.3
Blacksmith Shops	1.00	1.35	35.0
Barber Shops	1.50	2.00	33.3
Each additional chair	.25	.35	40.0
Laundries	3.00	4.05	35.0
Standby Service	1.00	-	-
	<u>Per Season</u>		
Lawns, per 100 square feet	\$.40	\$.55	37.5%

The present rate for public fire hydrant service is \$1.00 per month and the proposed rate for such service is \$1.35 per hydrant per month.

All of the foregoing present rates have been in effect since 1947 or longer. Applicant also has on file a schedule of rates for miscellaneous water sales applicable to measured quantities of water delivered to tank trucks or wagons from a central outlet provided for that purpose, which was filed with Advice Letter No. 5 and became effective May 5, 1958. Applicant made no proposal concerning this schedule and it is understood that it is desired to be discontinued and abolished.

Accounting Records

The examination of applicant's records by Commission staff accountants revealed that the books of account are well-kept in conformity with the Commission's prescribed Uniform System of

Accounts for Water Utilities, with the exception of a failure to properly record plant retirements.

As a result of the audit work performed by the staff in connection with the instant proceeding, various adjustments were made as set forth in considerable detail in Tables 2-A, 2-B and 2-C of the staff report introduced as Exhibit No. 3. The over-all effect of the staff's adjustments, primarily related to unrecorded retirements of plant, results in a decrease in recorded utility plant of \$17,722 and a decrease in the reserve for depreciation of \$15,149, making a decrease in net utility plant of \$2,573 as of July 31, 1959.

Applicant has signified its willingness to accept the staff's recommended adjustments as a basis for adjusting its various balance sheet accounts. The staff further recommended that applicant install a work order system in conjunction with its general books of account, which will be of material assistance in properly recording plant additions and retirements in the future.

Summary of Showings of Earnings

Evidence was presented by applicant's consulting engineer, the substance of his testimony being embodied in a "Statistical Report Showing Results of Operation for the Years 1958 and 1959 as Recorded and Adjusted, and for 1960 Estimated at Present and at Proposed Rates" (Exhibit No. 2). Experts of the Commission staff also presented a report (Exhibit No. 3) showing the results of their investigation of applicant's operations for the year 1958 as recorded and adjusted and for the year 1959 estimated. The staff made no estimate for the year 1960.

Both reports indicate operating losses at present rates after taking into consideration the loss in revenue resulting from

the moving of a large creamery business to another city. The earnings information at the proposed rates for the years 1958, 1959 and 1960 as contained in the two reports is summarized in the following tabulation:

SUMMARY OF EARNINGS

<u>Item</u>	<u>Estimated at Proposed Rates</u>				
	<u>Year 1958</u>		<u>Year 1959</u>		<u>1960</u>
	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>
Operating Revenues	<u>\$49,847</u>	<u>\$ 46,450</u>	<u>\$ 48,032</u>	<u>\$ 47,290</u>	<u>\$ 48,538</u>
<u>Expenses</u>					
Maintenance & Operation	22,238	28,065	28,941	28,720	28,975
Taxes Other than Income	3,048	3,510	3,199	3,440	3,460
Taxes on Income	6,638	3,051	3,399	3,112	3,464
Depreciation	<u>4,651</u>	<u>5,563</u>	<u>5,549</u>	<u>5,689</u>	<u>5,619</u>
Total	<u>\$36,575</u>	<u>\$ 40,189</u>	<u>\$ 41,088</u>	<u>\$ 40,961</u>	<u>\$ 41,518</u>
Net Revenue	\$13,272	\$ 6,261	\$ 6,944	\$ 6,329	\$ 7,020
Avg. Depr. Rate Base	\$97,840	\$106,600	\$103,243	\$103,700	\$100,097
Rate of Return	13.57%	5.87%	6.72%	6.10%	7.00%

A comparison of the two basic presentations by applicant's engineer and by the staff reveals some variances which are explainable. The staff estimated operating revenues on a pro forma basis, for both years 1958 and 1959, to take full account of the loss of the large consumer, whereas the applicant did not. Applicant's engineer also based his revenue estimates on more customers than the staff found were actually being served in the respective years.

Analysis of the several elements of operating expenses and of the components of rate bases for the year 1959 indicates no significant differences between the two sets of estimates. Both applicant's engineer and the staff engineer testified that the upward trend in the rate of return indicated in the foregoing summary is not likely to continue.

Recommendations

The staff made certain recommendations covering depreciation practices and the filing of up-to-date maps, rules governing customer relations revised to reflect present-day operating practices, and sample copies of printed forms that are normally used in connection with customers' services. The order herein will require applicant to carry out such recommendations.

The staff also recommended that the proposed schedule of general flat rates not be authorized and that the services to the eight flat rate consumers be equipped with meters. The record shows that the reason for these few consumers being served at flat rates is that the arrangement of the piping on the owners' premises does not facilitate the measurement of water to the several individual users.

On a system that is almost fully metered, it is considered discriminatory to allow some consumers to continue to receive unlimited quantities of water at flat rates while all others are billed for measured quantities. Such discrimination should be eliminated. Applicant should notify the respective owners of the several properties involved that they must either rearrange the piping on their premises so that meters can be placed on separate services to the various occupants or else accept responsibility for billings for quantities of water supplied to the entire premises as determined by readings of a single meter on the existing service.

Complete metering of the system will eliminate the necessity for a permanent flat rate schedule. A temporary flat rate schedule to be used only until meters can be installed and in no event after June 30, 1960, will be provided for by the order herein.

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 1958 and 1959, and similar estimates submitted by applicant for the year 1960 reasonably represent the results of applicant's operations and they will be and hereby are adopted for the purposes of this proceeding.

The evidence is clear that revenues obtainable from the presently effective water rates are no longer adequate to meet applicant's reasonable needs and that applicant is in need of and entitled to increased revenues. The Commission further finds and concludes that the revenues which applicant's proposed rates will produce and the resulting rate of return on applicant's investment will not be excessive or unreasonable.

Applicant's proposed rates, other than the schedule of general flat rates, will be authorized. The temporary flat rate schedule hereinafter authorized will provide for increases of approximately 35 percent over charges now being made for flat rate service, comparable to the authorized increase for metered service, to remain in effect for a limited time until meters can be installed on the services to the few remaining flat rate consumers.

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

O R D E R

Patterson City Water Company, a corporation, having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in the City of Patterson, and vicinity, Stanislaus County, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicant 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 four days' notice to this Commission and to the public, to make such rates effective for all service rendered on and after April 1, 1960.

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 acceptable to the Commission and sample copies of printed forms normally used in connection with customers' services. 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 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.

4. Beginning with the year 1960, applicant shall base the accruals to the depreciation reserve upon spreading the original cost of the plant, less estimated future net salvage and depreciation reserve, over the remaining life of the plant, and shall use the depreciation rates shown in Table 7-A on page 23 of Exhibit No. 3 introduced in evidence in the instant proceeding. These rates shall be used until a review indicates that they should be revised. Applicant shall review the depreciation rates when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

5. Within three months after the effective date of this order, applicant shall have completed the installation of meters on the services of all residential and business customers now being served at flat rates and thereafter shall render bills for such water service only on the basis of the authorized schedule of rates for general metered service. Applicant shall inform the Commission, in writing, of the completion of the installation and placing in operation of such meters, within ten days thereafter.

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

Dated at San Francisco, California, this 8th day of March, 1960.

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

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Patterson, and vicinity, Stanislaus County.

RATES

Per Meter
Per Month

Quantity Rates:

First	400 cu.ft. or less	\$ 1.40
Next	600 cu.ft., per 100 cu.ft. ....	.26
Next	1,000 cu.ft., per 100 cu.ft. ....	.25
Next	18,000 cu.ft., per 100 cu.ft. ....	.20
Next	30,000 cu.ft., per 100 cu.ft. ....	.15
Next	100,000 cu.ft., per 100 cu.ft. ....	.09
Over	150,000 cu.ft., per 100 cu.ft. ....	.06

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.40
For	3/4-inch meter	2.00
For	1-inch meter	3.00
For	1 1/2-inch meter	5.00
For	2-inch meter	8.00
For	3-inch meter	15.00
For	4-inch meter	25.00
For	6-inch meter	45.00
For	8-inch meter	65.00

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. 2LX

LIMITED TEMPORARY FLAT RATE WATER SERVICE

APPLICABILITY

Applicable to water service furnished on a limited temporary flat rate basis.

TERRITORY

The City of Patterson, and vicinity, Stanislaus County.

RATES

	<u>Per Service Per Month</u>
1. Colony Farms, Las Palmas Avenue	\$1.70
2. Lyons Warehouse, Highway 33	1.70
3. Tom Ross, 220 South 4th Street	5.00
4. Anderson Shoe Store, 27 South 3rd Street	1.70
5. Lawson Electric, South 3rd Street	1.70
6. Rogers Barber Shop, South 3rd Street	2.35
7. Apartment above Anderson Shoe Store	2.00
8. Apartment above Anderson Shoe Store	2.00

SPECIAL CONDITIONS

1. Service under this schedule will be limited to the above-listed premises being served hereunder as of the effective date of this tariff sheet, and will be furnished to each of the premises only until such time as a meter is installed.

2. This schedule will be effective only to and including June 30, 1960, and will thereafter be withdrawn.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The City of Patterson, and vicinity, Stanislaus County.

RATE

Per Month

For each fire hydrant

\$1.35

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, 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.