

**ORIGINAL**Decision No. 60205

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 PACIFIC WATER CO., a California cor-  
 poration, under Section 454 of the  
 Public Utilities Code to increase  
 its rates for its Victorville Water  
 Systems, in San Bernardino County,  
 California.

Application No. 40805

Moss, Lyon and Dunn, by George C. Lyon, for  
 applicant.  
Carl L. Rinehart, William Remsen and Alice E.  
 Remsen, interested parties.  
John Gillanders and A. L. Gielegem, for the  
 Commission staff.

O P I N I O N

The Pacific Water Co. is a California corporation fur-  
 nishing domestic water to consumers in over twenty systems located  
 in Los Angeles, Orange, Kern and San Bernardino Counties. By the  
 application herein, filed with this Commission on February 4, 1959,  
 it seeks authority to increase its rates in its five systems around  
 Victorville known as Victorville Nos. 1, 3, 4, 5 and 6, and to can-  
 cel its flat rate tariffs.

Public hearings on the application were held before  
 Examiner Kent C. Rogers in Victorville on March 8, 1960, and in  
 Los Angeles on March 9, 1960. Prior to the first day of hearing  
 notice thereof was mailed to all consumers in the five systems and  
 published as required by this Commission. On the last day of hear-  
 ing submission was deferred pending the filing of briefs. The last  
 brief was filed on April 7, 1960, at which time the matter was sub-  
 mitted.

The locations of the five service areas involved are shown on Chart 3-B of Exhibit No 2 herein. The areas are nonconnected, each having its separate storage and water supply.

Applicant's figures as estimated in Exhibit No. 3 are based on the average number of active consumers, 350 in the five service areas during the year 1959, with 320 at the beginning of the year and 381 at the end of the year, the latter distributed as follows:

Victorville Nos. 1, 3, 4 and 6 (Lower Zone)	307 consumers
Victorville No. 5	35 consumers
Victorville No. 6 (Upper Zone)	39 consumers
Total .....	381 consumers

At the end of the year 1959 applicant actually had 397 active consumers in the five areas. All services are metered.

The authorized meter rates in effect at present are as follows:

Victorville Nos. 1, 3, 4 and 6 (Lower Zone) Tariff Areas

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu.ft., per 100 cu.ft.	\$ .25
Next 3,000 cu.ft., per 100 cu.ft.	.20
Over 4,000 cu.ft., per 100 cu.ft.	.15

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 3.00
For 1-inch meter .....	4.00
For 1 1/2-inch meter .....	7.50
For 2-inch meter .....	10.00
For 4-inch meter .....	30.00
For 6-inch meter .....	40.00

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

Victorville No. 5 tariff area

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	800 cu. ft. or less .....	\$ 2.50
Next	1,200 cu. ft., per 100 cu. ft. ....	.30
Next	1,000 cu. ft., per 100 cu. ft. ....	.25
Next	1,000 cu. ft., per 100 cu. ft. ....	.20
Over	4,000 cu. ft., per 100 cu. ft. ....	.15

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 2.50
For	1-inch meter .....	4.00
For	1½-inch meter .....	7.50
For	2-inch meter .....	10.00
For	3-inch meter .....	25.00
For	4-inch meter .....	30.00
For	6-inch meter .....	40.00

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

Victorville No. 6 (Upper Zone) tariff area

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	500 cu. ft. or less .....	\$ 3.50
Next	1,500 cu. ft., per 100 cu. ft. ....	.55
Next	3,000 cu. ft., per 100 cu. ft. ....	.45
Over	5,000 cu. ft., per 100 cu. ft. ....	.35

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 3.50
For	1-inch meter .....	5.00
For	1½-inch meter .....	10.00
For	2-inch meter .....	14.00

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

Applicant proposes one schedule of meter rates applicable to all of its Victorville systems as follows:

Proposed Rates

Quantity Rates:	<u>Per Meter Per Month</u>
First 500 cu.ft. or less .....	\$ 4.00
Next 1,500 cu.ft., per 100 cu.ft. ....	.60
Next 3,000 cu.ft., per 100 cu.ft. ....	.45
Next 5,000 cu.ft., per 100 cu.ft. ....	.35
Over 10,000 cu.ft., per 100 cu.ft. ....	.25

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 4.00
For 1-inch meter .....	6.00
For 1½-inch meter .....	10.00
For 2-inch meter .....	14.00
For 3-inch meter .....	43.00
For 4-inch meter .....	70.00
For 6-inch meter .....	90.00

The applicant estimated that at present rates for 1958 and 1959 it would have a negative rate of return. For 1959 the staff estimated a rate of return of less than ½ of 1 per cent. At proposed rates the estimates are as follows for 1959 as indicated in Exhibit No. 9 by the applicant and as indicated in Exhibit No. 5, adjusted by Exhibit No. 7, by the Commission staff:

	<u>Applicant</u>	<u>Staff</u>
Operating Revenues	\$ 42,723	\$ 43,020
Operating Expenses		
Operating and maintenance	14,815	14,020
Administrative and general	8,837	5,360
Taxes other than income	5,921	2,298
Depreciation expense	10,516	4,369
Income taxes	(4,792)	5,594
Total expenses .....	<u>35,297</u>	<u>31,641</u>
Net Revenue	7,426	11,379
Adjustment per Staff Exhibit No. 7 Net Revenue (Adjusted)		(114)
		<u>11,265</u>
Rate Base	185,889	183,835
Rate of Return	3.99%	6.13%

(Negative Figure)

The staff's estimates are more realistic than those of applicant and the staff's estimates of revenues, expenses and rate base, which include the effect of the additional plant ordered to be installed by Decision No. 60086 in Case No. 6387, an investigation on the Commission's own motion into the service, operations, rules and practices of Pacific Water Co., and rate of return are hereby adopted, as reasonable.

From all of the evidence adduced in this matter, we now find that the proposed increases in rates and charges as hereinbefore described and authorized herein are justified, with minor modifications in minimum meter charges, and that the present rates and charges, in so far as they differ from those herein prescribed, are for the future unjust and unreasonable.

In view of the special circumstances involving the Victorville No. 3 area, which have been discussed in Decision No. 60086, supra, a separate tariff schedule applicable to this particular area providing for nonpotable water service, will be authorized.

While we have found the proposed rates just and reasonable, some items of controversy merit comment.

#### Revenues

The applicant estimated that there would be an average of 350 meter connections during 1959, with 381 meters at the year's end. The staff estimated an average of 371 meters, with 400 at the year's end. The actual number of consumers at the year's end was 397. The staff estimated lower consumption per consumer in all systems except the Victorville No. 6 (Upper Zone) where both the applicant and the staff agreed on the estimated consumption.

#### Expenses

Operation and Maintenance Expenses. There was a substantial difference between the applicant's and the staff's estimates of operation and maintenance expenses, the staff's estimate, as revised by Exhibit No. 7, being \$14,120 and the applicant estimating \$14,815

for 1959. The principal differences were in the estimates for purchased power and customer accounting.

The applicant has installed a 125-horsepower pump on a well in its Victorville No. 1 system. The minimum annual electrical power bill for this size pump is \$1,156, an increase of approximately \$700 over the 1958 recorded cost. The staff engineer stated that one 25-horsepower service and one 25-horsepower pump as a standby would provide adequate service based on the estimated growth of the area.

The cost of customer accounting reflects a difference of \$259, the staff estimating \$2,590 for this item in 1959, whereas the applicant estimated \$2,849. The recorded figures for 1958, adjusted to reflect the acquisition of a system, was \$2,390. The applicant's estimate for 1959 was based on a flat figure of 50 cents per bill. The staff allocated the payroll directly for this account by using the number of 1958 billings and added something for material.

Administrative and General Expenses. The applicant estimated these expenses, including general office allocations, would be \$8,837 in 1959, whereas the staff estimated they would be \$5,510 as revised by Exhibit No. 7, a difference of \$3,327.

The major differences in the direct expenses were in the allowances for Account 791, Administration and General Salaries, and Account 797, Regulatory Commission Expense.

The staff based its estimate of \$20 for Account 791 on the past experience of the applicant. The applicant could furnish the staff with no work papers on which it based its estimates of \$400 for this account.

The applicant charged Account 797 a total of \$860 for the expense of the instant proceeding, whereas the staff amortized

this amount over a period of five years. The latter treatment was conceded by the applicant to be correct.

The staff's revised estimate allocated \$5,210 of the company's general office administrative and general expenses to the Victorville systems, whereas the applicant allocated \$7,289 thereto, a difference of \$2,079.

#### Summary

The allocation of expenses and common plant was based upon the four-factor system used by the Commission. These factors are direct expenses, a year-end plant in service, employees as measured by direct labor and active services at the end of the year. The staff and the company differed in the derivation of the two factors, direct expenses and plant in service. The staff used the total direct expenses consistent with its method in other rate proceedings, whereas the company excluded payroll from the direct expenses. In computing the plant in service factor, the staff eliminated in certain districts excess, overbuilt or nonoperative plant, which had been excluded in previous Commission decisions, and also eliminated certain plant in the Victorville systems which it deemed to be excess; the company did not make such eliminations.

The staff deleted as excess approximately 66 per cent, or \$446,310, of 1959 year-end plant of \$659,695. The deduction of this excess plant is also reflected in the staff's estimates of direct ad valorem taxes and depreciation expense. It appears that the greater part of the excess plant deleted by the staff was located in subdivisions in noncertificated areas.

#### Staff Recommendations

The staff made some recommendations relative to the future services, namely:

1. That an interconnection be made of the three systems of Victorville No. 4 in the year 1960;

2. That the existing flat rate tariff schedule be canceled;
3. That any authorized rates establish minimum meter charges in proportion to their capacities and costs of operation; and
4. That the applicant file its current cash deposit receipt and bill forms in lieu of those presently on file with the Commission.

With the exception of No. 1, supra, the recommendations will be followed. Recommendation No. 1 incorporates one of the issues in connection with Case No. 6387 mentioned previously and has been disposed of by Decision No. 60026 in that proceeding.

O R D E R

Application as above entitled having been filed, public hearings having been held thereon, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED:

1. That Pacific Water Co. be and it 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 as shown in Appendix A, attached hereto, and, upon not less than five days' notice to the Commission and to the public, to make said rates effective for service rendered on or after July 1, 1960.
2. That, on or after August 1, 1960, Pacific Water Co. is authorized to file an advice letter providing for the withdrawal and cancellation of its tariff schedules applicable to flat rate service in its Victorville tariff areas. Such filing shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.



3. That within thirty days after the effective date hereof Pacific Water Co. shall file with the Commission a copy of its current cash deposit receipt form and its bill form.

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

Dated at San Francisco, California, this 31st day of May, 1960.

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

Schedule No. VCA 1

Victorville Nos. 1, 4, 5 and 6 Tariff Areas

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated areas known as Mariana Ranchos, Circle M Ranchos, Apple Valley Acres, Youleen Tract, Burns Tract, Waas Tract, Rayle Tract, and vicinity of each, Tract 5259 and certain adjacent areas and Tracts Nos. 5717 and 5818, all within a radius of 23 miles easterly of Victorville, San Bernardino County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	500 cu.ft. or less .....	\$ 4.00
Next	1,500 cu.ft., per 100 cu.ft. ....	.60
Next	3,000 cu.ft., per 100 cu.ft. ....	.45
Next	5,000 cu.ft., per 100 cu.ft. ....	.35
Over	10,000 cu.ft., per 100 cu.ft. ....	.25

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 4.00
For	1-inch meter .....	6.00
For	1½-inch meter .....	12.00
For	2-inch meter .....	18.00
For	3-inch meter .....	30.00
For	4-inch meter .....	45.00
For	6-inch meter .....	85.00

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

Schedule No. VCB 1  
Victorville No. 3 Tariff Area  
GENERAL METERED SERVICE  
(Nonpotable Water)

APPLICABILITY

Applicable to all nonpotable water service furnished on a metered basis.

TERRITORY

Unincorporated territory comprising Section 16, T.4 N., R.2W., S.E.B.& M., and vicinity, approximately 15 miles southeasterly of Victorville, San Bernardino County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	500 cu.ft. or less .....	\$ 4.00
Next	1,500 cu.ft., per 100 cu.ft. ....	.60
Next	3,000 cu.ft., per 100 cu.ft. ....	.45
Next	5,000 cu.ft., per 100 cu.ft. ....	.35
Over	10,000 cu.ft., per 100 cu.ft. ....	.25
Minimum Charge:		
For	5/8 x 3/4-inch meter .....	\$ 4.00
For	1-inch meter .....	6.00
For	1½-inch meter .....	12.00
For	2-inch meter .....	18.00
For	3-inch meter .....	30.00
For	4-inch meter .....	45.00
For	6-inch meter .....	85.00

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