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Decision No. 60242

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 DUDLEY C. PEARSON and BETTY J. PEARSON, )  
 co-owners of, and doing business as )  
 COOK'S WATER SYSTEM, for an order )  
 authorizing increases in water rates )  
 and the filing of tariff schedules )  
 effecting the same, and authorizing )  
 the entry of a historical cost appraisal )  
 of its utility plant and depreciation )  
 reserve upon its books of account. )

Application No. 41449  
(Amended)

O P I N I O N

Dudley C. Pearson and Betty J. Pearson, doing business as Cook's Water System, by the above-entitled application filed on August 31, 1959 and amended on December 9, 1959, request an order of the Commission authorizing an over-all increase in water rates of about 90 percent to customers located in the town of Poplar, Tulare County.

The application states that applicants are requesting increases in the presently effective rates charged for their water service so that their revenues will not only suffice to pay for maintenance and operation costs but will be adequate to cover depreciation and replacement of the utility properties as well as to provide a reasonable return on their investment, thereby enabling applicants to operate on a sound financial basis.

Applicants also request an order authorizing them to place upon their books of account the utility plant and depreciation figures as set out in the original cost appraisal presented in Exhibit "D" of the application.

Engineering Investigation

During investigations made by the Commission's engineering staff on October 21, 22 and 23, 1959 it was found that many more

customers were being served than the 160 customers being billed by applicants. Secondly, that while all customers were served on a flat rate schedule, they were not being billed in advance for the service as is provided for in the utility's filed tariffs. Additionally, it was observed that many of the additive charges authorized in the presently filed tariff schedule providing for flat rate service were neither being applied nor being billed.

The engineering staff brought these discriminatory billing procedures and collecting practices, and the corresponding deficiencies in revenues, to the attention of one of the co-owners of the water company at a conference held in Porterville on October 22, 1959. Concurrently, certain discrepancies in the original application were also discussed. The co-owner agreed at that time to amend the application and to have a customer count made.

An amendment to the application was filed on December 9, 1959, which included a proposed metered service schedule and several changes to the proposed flat rate schedule.

The engineering field investigations further revealed that pressures in the southeastern and southwestern portions of the service area are substandard. The co-owner of the utility agreed to take certain steps to remedy this situation and applicants have indicated in the subsequently filed amendment to the application the various improvements planned, including those to improve pressures.

#### Customer Response

Following field investigations of applicants' operations and accounting records by Commission engineers and accountants, the Commission staff on January 20, 1960 sent a letter to each of the 160 listed customers of Cook's Water System. This letter provided the customers with information concerning the present and requested

rates, together with a preliminary comparison of earnings at such rates for the estimated years of 1959 and 1960 and an outline of proposed system improvements included in these estimates. The earnings estimates were based on the assumption that the utility had 200 customers instead of the 160 customers actually being billed. The letter also asked for any comments the customers might wish to make.

In response, thirty individual letters from customers were received, also two petitions containing 49 and 48 names, respectively, and a letter from the Poplar Community Service District. All of these letters and petitions protested that the rates proposed by applicants were excessive. Some of these letters further indicated that there were irregularities in the utility's billing practices and others complained of deficiencies in service.

#### Revenue Analysis

A conference was held on February 17, 1960 between the applicants and Commission staff engineers. The utility's billing and collecting practices as well as service deficiencies and operational procedures were thereby again brought to the applicants' attention. Applicants agreed to make a comprehensive premises survey, to supply the staff with information as to the type and cost of improvements deemed economically feasible for the correction of inadequate operating pressures in certain areas of the distribution system, and to consider the employment of a part-time employee to operate and service this system. Preliminary revenue information was furnished in April and the final premises survey information required for processing this application for rate relief was supplied on May 9, 1960.

Development of revenues predicated on the premises survey data and customer billing lists indicated that an annual gross revenue of about \$6,630 should be obtained at present rates, and applicants' proposed rates would generate revenues of some \$12,600.

Expense Analysis

Recorded operating and maintenance expenses were the basis for applicants' showing. These were adjusted upward by the staff in order to take cognizance of accounting omissions of transportation, labor and insurance, and to consider more diligent collections, improved supervision and service, and maintenance of additional plant hereinafter ordered to be installed.

Service

In order to alleviate pressure problems in the service area of Cook's Water System, it will be necessary for applicants to install approximately 900 feet of 6-inch main, with necessary valves and fittings, along Poplar Avenue from Mountain View Drive to the Grange Hall, then southerly from Poplar Avenue to interconnect with the existing 2-inch line on the east side of the Grange Hall; also to install a 4-inch cross-tie approximately 300 feet in length, with necessary valves and fittings, between Mountain View Drive and Kilroy Avenue, on First Street. The estimated cost of these improvements is \$6,000.

The improvements hereinafter ordered to be made will not entirely eliminate the deficiencies in this water system, but they represent material steps to that end. While the order herein will not specifically provide for further improvements in addition to those required by this decision, applicants will be expected to diligently pursue their improvement program as set forth in the amendment to the application.

Plant Accounts and Depreciation Reserve

The Commission has considered applicants' request for authorization to place upon their books of account the utility plant and depreciation reserve figures as set out in a statement of original cost presented in Exhibit "D" of the application. An

examination by members of the Commission's accounting and engineering staff of the applicants' records and of utility plant used and useful in the utility's operations has indicated that certain adjustments should be made to applicants' figures. The item of \$6,883.46 for pumping equipment (Ac. 324) should be reduced to \$4,883.46, a reduction of \$2,000 related to a gasoline engine driven generator which should be retired as not fit for service. A corresponding adjustment should be made to the depreciation reserve, resulting in an adjusted depreciation reserve of \$3,068.00 at December 31, 1958.

In order to bring the utility plant and depreciation reserve amounts up to a more recent date, the Commission's staff has determined these as of December 31, 1959, and applicants will be authorized to place the following figures upon their books of account as of that date:

<u>Utility Plant</u>		
Ac. 301	Intangible Plant .....	\$ 163.50
Ac. 306	Landed Capital .....	550.00
Ac. 315	Wells .....	2,768.77
Ac. 324	Pumping Equipment .....	4,883.46
Ac. 342	Reservoirs and Tanks .....	1,167.50
Ac. 343	Transmission and Distribution Mains .....	8,965.83
Ac. 345	Services .....	430.13
	Total Utility Plant	<u>\$18,929.19</u>
	<u>Depreciation Reserve</u>	\$ 3,618.00

Summary of Adopted Earnings

The following tabulation shows an estimated earnings analysis for 1960 based on the premises survey and customer lists furnished by applicants, application of the rates set forth in

Appendix A herein, and consideration of the operating expenses, plant additions, and accounting adjustments hereinbefore discussed.

<u>Item</u>	<u>Estimated Year 1960 at Authorized Rates</u>
Operating Revenues	\$ 8,400
Operating Expenses	4,920
Taxes (Other Than Income)	600
Depreciation	635
Income Taxes	470
Total Expenses	<u>\$ 6,625</u>
Net Revenue	\$ 1,775
Average Depreciated Rate Base	\$22,155
Rate of Return	8.0%

#### Findings and Conclusions

After considering all the evidence of record and the statements received by the Commission from customers of Cook's Water System, it is our conclusion, and we so find, that applicants are entitled to some rate relief, but not to the extent requested, and that an order should be issued that will result in increased revenues in an over-all amount of \$1,775 annually. This authorization will result in an increase in revenue of about 27 percent as compared with applicants' request for a 90 percent increase.

The rate base hereinafter adopted includes an amount of \$6,000 to reflect the full year effect of the distribution main improvements which we find to be necessary for improvement of service. To the extent that the estimated costs of these improvements have been included in rate base, the order will require applicants to make such installations within a reasonable period of time. The order will result in a rate of return of approximately 8.0 percent on a \$22,155 depreciated rate base, which return and rate base we hereby adopt and find as reasonable for the purposes of this decision.

It was ascertained during field investigations by the Commission's accounting staff that the applicants' records are deficient and in some respects may not be maintained in the manner required by the Commission. Applicants are placed on notice that steps must be taken forthwith to comply with the accounting procedures as set forth in the Uniform System of Accounts for Water Utilities prescribed by this Commission.

In the Commission's opinion, the spread of rates provided by Appendix A herein is found to be reasonable.

O R D E R

The Commission having considered the request of applicants 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 the present rates insofar as they differ from those herein prescribed for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

1. Applicants are authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with General Order No. 96, the schedules 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 all service rendered on and after July 1, 1960.

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 and acceptable to the Commission, rules governing customer relations

revised to reflect present-day operating practices, a revised tariff service area map and current sample copies of printed forms normally used in connection with customers' services. Such rules, tariff service area map and sample 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 300 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 1960, applicants shall determine depreciation expenses by multiplying depreciable utility plant by a rate of 3.0 percent. 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 September 1, 1960, applicants shall have installed, in conformity with the requirements of this Commission's General Order No. 103, and shall have placed in operation the following improvements to the water system and, within fifteen days after the installation and placing in operation of each category of said improvements, shall so notify the Commission in writing thereof:



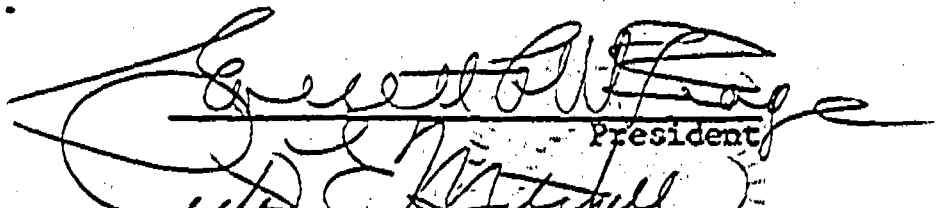
a. Approximately 900 feet of main of not less than 6 inches in nominal diameter from the intersection of Poplar Drive and Mountain View Drive along Poplar Drive in an easterly direction to the Grange Hall, thence southerly from Poplar Avenue to interconnect with the existing 2-inch main on the east side of the Grange Hall.

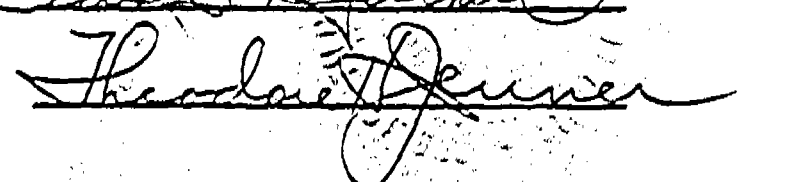
b. Approximately 300 feet of main of not less than 4 inches in nominal diameter from the intersection of First Street and Mountain View Drive westerly along First Street to the intersection of Kilroy Avenue and First Street as a cross-tie for the main on Mountain View Drive and the main on Kilroy Avenue.

6. Applicants are authorized to enter upon their books of account the utility plant and depreciation reserve amounts hereinbefore set forth in this decision.

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

Dated at San Francisco, California, this 16th day of June, 1960.

  
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President

  
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Theodore J. Deiner

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Commissioners

APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Poplar, and vicinity, approximately 8 miles westerly of Porterville, Tulare County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 700 cu.ft. or less .....	\$ 2.50
Next 2,300 cu.ft., per 100 cu.ft. ....	.30
Next 7,000 cu.ft., per 100 cu.ft. ....	.25
Over 10,000 cu.ft., per 100 cu.ft. ....	.20
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.50
For 3/4-inch meter .....	3.50
For 1-inch meter .....	6.00
For 1-1/2-inch meter .....	11.00
For 2-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.

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

The unincorporated community of Poplar, and vicinity, approximately 8 miles westerly of Porterville, Tulare County.

RATES

	<u>Per Service Connection per Month</u>
1. For a single family residence on a single lot .....	\$ 3.00
(a) For each additional single family residential unit on the same lot and served from the same service connection .....	2.00
2. For each shop, office or store .....	4.00
3. For each cafe, restaurant, tavern, service station or laundrette .....	6.00
4. For each market, including evaporative coolers .....	11.00
5. For each trailer court .....	26.00

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.

2. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.