

Decision No. 60416**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
H. K. BERESFORD and CATHERINE	)	
BERESFORD, for authority to increase	)	Application No. 41833
rates for water service rendered	)	
within the service area of applicants.	)	

O P I N I O N

H. K. Beresford and Catherine Beresford, his wife, doing business as Mineral Water System, by their application filed January 6, 1960, request authority to increase rates for water service in the Town of Mineral, Tehama County. The utility system furnishes water to approximately 73 customers, all of whom are on flat rate service. The rates requested are estimated to increase revenues by about 200 per cent.

The application states that the rates presently in effect are inadequate to produce sufficient revenue for the estimated year 1960 to provide for maintenance and operation of the system, to allow for depreciation and to yield a reasonable return on the investment in property devoted to public use. Also, that an increase in the investment in utility plant during the year 1960 is planned because of the necessity for placing in operation additional water storage facilities.

History

This utility operation was first granted a certificate of public convenience and necessity by Decision No. 33187, dated June 11, 1940, in Application No. 23453, the rates presently in effect also being authorized by that decision. The initial certificate grant consisted of a 118-lot subdivision known as the Cool Air Subdivision,

located south of State Highway No. 36, in the Town of Mineral. The utility subsequently extended service across this state highway, and opposite from the originally certificated area, to another tract of 40 lots known as Meadow View Subdivision. The distribution systems providing service to these two subdivisions are not interconnected. The service area is primarily a summer resort community with the occupancy being mostly seasonal.

#### Description of System

The principal source of supply of water for the utility is Martin Creek, from which water is diverted through a 6,300-foot pipeline, 6 inches in diameter. An additional supply is obtained from a small spring, from which water is diverted through a 150-foot pipeline, 1½ inches in diameter. The water from both sources flows by gravity into a 5,000-gallon settling tank, and from there into a 5,000- and a 10,000-gallon storage tank located at different elevations on the side of a hill above the distribution systems. The two storage tanks supply the separate Meadow View and Cool Air distribution systems, respectively. The two distribution systems include a total of approximately 11,600 feet of pipe, ranging in size from 1½ to 3 inches in diameter.

In addition to service to the two subdivisions, water is supplied to certain commercial enterprises also owned by applicants, which are situated outside of, but near, the subdivisions. These enterprises include a lodge, restaurant, bar, hotel, motel and garage. Water is used by applicants in the areas adjacent to such commercial enterprises for irrigation of lawns and gardens.

#### Rates, Present and Proposed

The following tabulation is a summary of applicants' present rates for flat rate service, which became effective on July 1, 1940, and the rates as proposed herein by applicants:

## FLAT RATE SERVICE

	Per Service Connection			
	Annual Basis		Seasonal Basis	
	May 1 - April 30		May 1 - Oct. 31	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
For each residence	\$12.00	\$36.00	\$7.50#	\$22.50
For each additional room	1.00	-	.60	-
For each additional bath or toilet .....	1.50	-	.90	-
For each 100 sq.ft. of irrigated area, over 1,500 sq.ft. ....	.25	.50	.25*	.50*

# Five rooms or less, with not over one bath and one toilet.

\* May 1 through October 31 period only.

Applicants' existing tariffs have a provision in their seasonal rate schedule which provides that a customer with seasonal service may elect to receive service for the balance of the year by paying a basic additional charge of \$6, plus additional charges of \$0.50 for each room over five rooms and \$0.70 for each bath or toilet over the initial bath and toilet. Under the proposed rates, a customer on a seasonal basis may elect to receive service for the balance of the year by paying an additional charge of \$13.50 only.

Applicants do not, at present, have a tariff schedule covering service to the various commercial establishments in Mineral owned by them, but propose a flat rate charge of \$500 per year for such service, including irrigation of lawns and gardens.

#### Customer Response

Following field investigations of applicants' operations and accounting records by members of the Commission's engineering and accounting staff, a letter was sent by the Commission to each of applicants' customers on March 16, 1960. This letter provided the customers with information concerning applicants' present and

requested rates, together with an alternate rate proposal and a comparison of earnings at these several rate levels for the estimated year 1960, and asked for any comments the customers might wish to make. Eight replies were received to the 65 letters sent to the customers. Most of these responding letters acknowledged that some increase in rates was in order.

#### Service Improvements

During the course of its investigations, the staff discussed the matter of service improvements with applicants. As set forth in the application, the installation of a 5,000- and a 10,000-gallon storage tank at a cost of approximately \$700 and \$1,200, respectively, is scheduled during the years 1960 and 1961. These storage tanks, according to the application, will be required to supplement the present inadequate storage facilities and to serve additional customers, such additional storage being necessary during periods of peak demand.

We find that the increased storage is necessary and that at least the 10,000-gallon capacity tank should be installed during the summer of 1960. In the subsequent summary of the results of operation for the estimated year 1960, the cost of this tank has been appropriately reflected in the rate base.

#### Ownership of Water Supply and Associated Interests

Investigation by the staff revealed that the major source of water supply and transmission system are jointly owned, used and operated by applicants and two other parties, pursuant to an agreement made on August 3, 1939, as recorded in Liber 110 of Official Records, page 158, Records of Tehama County. For the purpose of this decision, it is hereby found that the portion of the water supply and transmission facilities owned by applicants is dedicated to public use; therefore, applicants' nonutility commercial enterprises as a

group when taking water service from applicants' utility system, is a customer of the utility.

Service to applicants' commercial enterprises as now constituted as a group under a flat rate schedule would be arbitrary at best, and we would not be able to make the necessary finding that such a rate would be fair and reasonable for the future. For this reason, service to these properties will be required to be furnished under metered service.

The distribution facilities used to furnish water to applicants' commercial enterprises are not situated on dedicated streets or rights of way. It is believed reasonable for the present that the service connection to supply all of the afore-mentioned commercial enterprises be at the point of connection with the utility system near the storage tanks. At some suitable and convenient location a meter should be installed to measure the amount of water used by such commercial enterprises. At some future time, should applicants wish to meter the service to each commercial enterprise separately, the distribution system may be relocated, or appropriate rights of way established, so that this distribution system can be physically segregated from applicants' other nonutility interests and then be included as part of the utility system. Individual service connections to these several properties may then also be established.

#### Appraisal of Utility Plant

Applicants allege in their application that many of their records were destroyed in a fire in the year 1949. Also, that their investments are so integrated with their general operations in the Mineral area as to make it impossible to definitely ascertain and segregate them.

In order to bring the utility plant and depreciation reserve amounts up to a more recent date, the Commission staff has

determined these as of December 31, 1959, based upon the staff's inventory, appraisal and reserve requirement study of applicants' properties devoted to public utility service. Applicants will be authorized to place the following figures upon their books of account as of that date:

Utility Plant

Ac. 301	Intangible Plant .....	\$ 50
Ac. 312	Source of Supply .....	220
Ac. 342	Reservoirs and Tanks .....	952
Ac. 343	Transmission and Distribution Mains .....	8,794
Ac. 345	Services .....	508
Ac. 348	Hydrants .....	125
Ac. 378	Tools, Shop and Garage Equipment .....	300
	Total Utility Plant	10,949
	Depreciation Reserve	4,514

Rate Base

The rate base hereinafter adopted is predicated upon the staff's appraisal as of December 31, 1959. In order to reflect operating conditions for the near future, the rate base includes for a full test period an amount of \$1,200, representing the estimated installed cost of the 10,000-gallon storage tank and \$200 for the required meter installation for applicants' commercial enterprises heretofore discussed. An allowance of \$180 has also been included for estimated average materials and supplies. From the resulting total, a deduction of \$1,520 has been made to recognize the present level of advances in aid of construction which would have resulted had the main extension to applicants' sparsely settled Meadow View Subdivision been installed under the utility's filed main extension rule applicable at the time the extension was made. The further deduction of \$4,674 for the average depreciation reserve results in an average depreciated rate base of \$6,340 for the test year hereinafter adopted.

Summary of Showings

In Exhibit E of the application, a rate of return summary is shown for the first 11 months of 1959 at present rates and at the applicants' proposed rates, as recorded and estimated, respectively. That exhibit also presents earnings for the year 1960 estimated at both the present and proposed rates.

The adopted results of operations for the year 1960 are based upon a physical examination of the water system properties; a study of applicants' operations and discussions with applicants and a number of their customers by members of the Commission staff; a review of the data furnished in the application; evaluation of an appraisal and related reserve requirement study; and, a review of information in the Commission's files.

The following tabulation sets forth the adopted results of operation for this utility for the estimated year 1960, under applicants' present rates, applicants' proposed rates and under the rates to be authorized in the order which follows.

<u>Item</u>	<u>Year 1960 Estimated</u>		
	<u>Present Rates</u>	<u>Applicants' Proposed Rates</u>	<u>Commission Authorized Rates</u>
Operating Revenues			
Residential .....	\$ 812	\$2,468	\$1,644
Business .....	-	-	182
Total .....	<u>812</u>	<u>2,468</u>	<u>1,826</u>
Operating Expenses			
Other than Taxes and Depreciation	\$ 702	702	702
Taxes, other than on Income .....	130	130	130
Income Taxes .....	-	327	167
Depreciation .....	315	315	320
Total .....	<u>1,147</u>	<u>1,474</u>	<u>1,319</u>
Net Revenue .....	(335)	994	507
Average Depreciated Rate Base .....	6,140	6,140	6,340
Rate of Return .....	Loss	16.2%	8.0%

(Red Figure)

Findings and Conclusions

The results of operation in the foregoing tabulation clearly show that the present rates are deficient and that the rates proposed by applicants are somewhat excessive. The Commission finds and concludes that the estimates of revenues, expenses and rate base as hereinabove developed reasonably reflect the results of applicants' operations for a test period in the immediate future, herein called the estimated year 1960. The estimated rate of return of 8.0 per cent is hereby found to be reasonable for this utility at this time.

The order herein will authorize the filing of a schedule of meter rates to be applicable to nonresidential usages. This schedule will provide for various sizes of meters to take care of possible future metering of individual business establishments. The schedules of general meter rates and residential flat rates hereinafter authorized are hereby found to be reasonable.

Some of applicants' seasonal customers object to paying for service during the months or weeks when they are not occupying their homes. It is obvious, however, that a water system must be constructed and maintained in such a manner that the maximum demands of all customers may be met, even if this involves only a relatively few days during the year. The system cannot be expanded during periods of peak demand and contracted when demands are low, nor can year-round maintenance and repairs be neglected if the system is to continue to serve its customers. The total reasonable expenses to operate and maintain the system must be regained through the total revenues collected. Many expenses, such as maintenance, taxes and depreciation, continue whether the customers are there or not.



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, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS 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 water service rendered on and after August 16, 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 expense by multiplying depreciable utility plant by a rate of 2.4 per cent. 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 August 16, 1960, applicants shall install a meter or meters as may be necessary to measure the water delivered to the group of business enterprises presently owned by applicants, and shall determine charges at the metered service schedule for the quantities of water so delivered. Applicants shall report to the Commission in writing of the date thereof, within ten days after said metering has been placed in operation.

6. On or before September 15, 1960, applicants shall have installed at a suitable location and placed in operation an additional storage tank of not less than 10,000-gallon capacity. Applicants shall inform the Commission, in writing, within ten days after said storage tank has been installed and placed in operation.

7. 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 12<sup>th</sup> day of July, 1960.

*Ernest P. Renge*

President

*Montgomery*

*E. L. Fox*

*Theodore J. ...*

Commissioners

APPENDIX A  
Page 1 of 4

## Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated areas known as Cool Air and Meadow View Subdivisions, and vicinity, in the community of Mineral, Tehama County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:	
First 1,500 cu.ft. or less .....	\$ 1.75
Next 2,500 cu.ft., per 100 cu.ft. ....	.10
Over 4,000 cu.ft., per 100 cu.ft. ....	.05
Annual Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 21.00
For 3/4-inch meter .....	30.00
For 1-inch meter .....	48.00
For 1 1/2-inch meter .....	72.00
For 2-inch meter .....	108.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

Schedule No. 1

ANNUAL GENERAL METERED SERVICE  
(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. A customer who has established his permanency by having paid for service for the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.

2. The charge for water used in excess of the quantity allowed each month for the annual minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative monthly consumption basis.

Schedule No. 2R

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas known as Cool Air and Meadow View Subdivisions, and vicinity, in the community of Mineral, Tehama County.

RATES

	<u>Per Service Connection Per Year</u>
For a single family residence, including premises .....	\$24.00
For each additional residence on the same premises and served from the same service connection .....	12.00

SPECIAL CONDITIONS

1. The above residential flat rates apply to service connections not larger than one inch in diameter.
2. All annual residential service not covered by the above classification will be furnished only on a metered basis.
3. Meters may be installed at option of utility only for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service.
4. The annual flat rate charge is payable in advance on or before May 1 of each year.

Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated areas known as Cool Air and Meadow View Subdivisions, and vicinity, in the community of Mineral, Tahama County.

RATES

	<u>Per Service Connection</u> <u>Per Season</u>	
	<u>Summer Season</u> <u>May 1 through</u> <u>October 31</u>	<u>Winter Season</u> <u>Nov. 1 through</u> <u>April 30</u>
For a single family residence, including premises .....	\$15.00	\$15.00
For each additional residence on the same premises and served from the same service connection	7.50	7.50

SPECIAL CONDITIONS

1. The above residential flat rates apply to service connections not larger than one inch in diameter.
2. The seasonal flat rate charge is payable in advance on or before the initial day of the season during which service is to be taken.
3. Service may be taken under this schedule for either or both seasons.