

ORIGINALDecision No. 61351

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 BESSIE L. CUNNINGHAM for authority
 to increase and adjust rates for
 water service at the resort area
 commonly known as "CENTRAL CAMP
 CALIFORNIA".

Application No. 42272
 (Amended)

O P I N I O N

By this application filed May 18, 1960 and amended September 14, 1960, Bessie L. Cunningham, doing business as a public utility water system, requests authority to increase rates for water service in a resort area commonly known as Central Camp, in Madera County. The application states that the utility furnishes water to approximately 40 customers, all of whom are served on a seasonal flat rate schedule. The rates proposed in the amendment to the application are estimated to increase revenues by about 275%. The application alleges that for numerous reasons the rates presently in effect are low, unjust and unreasonable, and that the increase in rates is necessary to continue to provide a satisfactory and adequate water service.

History of System

A certificate of public convenience and necessity to operate this public utility in Central Camp for the sale and distribution of water and electric energy was first granted to J. E. Noroy, now deceased, by Decision No. 32173, dated July 18, 1939, in Application No. 22654. The rates presently charged for water service were also authorized by that decision.

The water service certificated area comprises approximately 15 acres located at Central Camp. There have been no extensions to surrounding areas up to the present time.

By Decision No. 58755, dated July 14, 1959, in Application No. 40946, Bessie L. Cunningham was authorized to assume ownership of this utility and to abandon the generation and distribution of hydro-electric power.

Description of System

The source of supply for the water system is Sand Creek, from which water is diverted by means of a concrete dam into a 2,495-foot, 6-inch diameter transmission main. This main supplies water by gravity to a domestic distribution system which includes a total of approximately 4,915 feet of steel pipe, ranging in size from 1 to 2½ inches in diameter, and a fire protection system which contains 445 feet of 6-inch steel pipe, 2,050 feet of 4-inch steel pipe, and eight fire hydrants.

Heretofore, connected to the lower end of the transmission main was a 24-inch Pelton wheel used in connection with the generation of electricity. The water discharged from the Pelton wheel was wasted into the creek. With the discontinuance of the generation of electric power prior to the summer season of 1961, it will no longer be necessary to divert water from the utility's water users for operation of this Pelton wheel.

Rates, Present and Proposed

The following tabulation is a summary of applicant's present rates for flat rate service, which became effective on August 7, 1939, and the rate proposed herein by applicant.

FLAT RATE SERVICE

	<u>Per Cabin</u> <u>Present</u> <u>Rates</u>	<u>Per Year</u> <u>Proposed</u> <u>Rates</u>
For Domestic Water Service	\$6.00	
For Fire Protection Service	2.00	
For Domestic Water and Fire Protection Service		\$30.00

Seasonal use from May 1 to
on or about the middle
of October.

Applicant does not have on file any other rate schedules
and does not propose any additional ones.

Field Investigations

Field investigations in connection with this application
were made by members of the Commission's accounting and engineering
staffs. A summary of the accountant's investigation is outlined in
a memorandum dated December 1, 1960, which is hereby received as
Exhibit No. 1 in this matter. The engineer's investigation is
summarized in a memorandum dated December 13, 1960, which is hereby
made a part of the record in this proceeding as Exhibit No. 2.

Customer Response

Following the staff field investigations, a form letter
was sent by the Commission to each of applicant's customers on
October 4, 1960. This letter provided the customers with information
concerning applicant's present and requested rates, a comparison of
earnings at the present rates and the requested rates, and asked for
any comments the customers might wish to make concerning rates and
service. A copy of this letter and of the mailing list of customers
to whom the letter was sent is included in the record in this matter
as Exhibit No. 3-A.

Ten replies were received to the 52 letters sent to present
and potential customers. Most of these responding letters objected

to the magnitude of the proposed increase but acknowledged that some increase in rates was in order. Some customers complained about leaks from the transmission main, the poor condition of the diversion dam, and low pressures or outages of water. These replies were analyzed by the Commission's staff and are summarized as Exhibit No. 3-B in this proceeding.

Service Improvements

During the course of its investigations, the engineering staff discussed the matter of service improvements with applicant. The latter agreed to raise the intake pipe header at the dam to prevent sand from entering the transmission main, to make the dam leakproof so as to maintain the reservoir full at all times unless drawn down through usage, and to exercise reasonable diligence in maintaining the mains and pipelines and in repairing leaks.

Rate Base

The rate base hereinafter adopted is predicated upon a Commission staff appraisal prepared as of June 12, 1939, to which has been reflected the 1953 additions as set forth in the application. In order to project the reasonable operating conditions for the near future, the rate base includes for the full test period an amount of \$150, representing the estimated cost of improvements at the dam. Additionally, an allowance of \$100 has been included for estimated average materials and supplies. Excluded from the rate base is an amount of \$1,694, representing the cost of fire hoses, nozzles and the houses used for their storage. The further deduction of the average depreciation reserve in the amount of \$3,753 results in an average depreciated rate base of \$6,704 for the test year 1960.

Summary of Showings

In Exhibit C of the application, a rate of return summary is shown at applicant's requested rates as originally proposed, using

estimated costs for future years. However, applicant did not provide a rate of return summary corresponding to the revised rates for water service proposed in the amendment to the application.

The Commission staff developed results of operations for the year 1960 under the present rates and under the proposed rates presented in the amendment to the application. These staff results of operation were incorporated in a letter to applicant's counsel, dated September 22, 1960, a copy of which is hereby made a part of the record in this matter as Exhibit No. 4-A. The staff's estimates were based upon a physical examination of the water system properties, a study of applicant's operations, and discussions by the staff with applicant and a number of applicant's customers. This was supplemented by a review of the data furnished in the application, and a review of information in the Commission's files.

Applicant has concurred with the staff's computations of results of operation and so advised the Commission by letter from her counsel dated September 27, 1960, which letter is incorporated in the record in this proceeding as Exhibit No. 4-B. The staff's estimates for the year 1960 are set forth in the following tabulation:

	<u>Year 1960 Estimated</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 352	\$1,320
Operating Expenses		
Other Than Taxes and Depreciation	450	450
Taxes, Other Than on Income	54	54
Income Taxes	-	125
Depreciation	222	222
Total	<u>\$ 726</u>	<u>\$ 851</u>
Net Revenue	\$ (374)	\$ 469
Average Depreciated Rate Base	\$6,704	\$6,704
Rate of Return	Loss	7.0%

Red Figure

Findings and Conclusions

The results of operation in the foregoing tabulation clearly show that the present rates are deficient and we so find. The Commission finds and concludes that the staff's estimates of revenues, expenses and rate base as hereinabove shown reasonably reflect the results of applicant's operations for the estimated year 1960.

After consideration of all of the facts in this matter, it is our opinion, and we so find, that rates substantially as proposed in the application as amended will not be excessive or unreasonable under the circumstances set forth in this proceeding. The increased rates hereinafter authorized are expected to produce a net revenue of \$469 for the estimated year 1960, after allowance for all reasonable operating expenses, taxes and depreciation. Such net revenue represents a rate of return of approximately 7.0 percent on a depreciated rate base of \$6,704, which rate base and rate of return are hereby adopted and found reasonable for the purpose of this decision.

To the extent that the estimated costs of making certain improvements to the water system have been included in the rate base hereinabove adopted, the order which follows will require applicant to make such improvements within a reasonable period of time.

The staff's investigations revealed that applicant has not been maintaining adequate records, has not been complying properly with the Commission's General Orders Nos. 96 and 103, and has not been rendering water service in conformance with her tariffs presently on file with the Commission. Applicant is placed on notice that henceforth she will be expected to maintain reasonably adequate records and to comply with all of the Commission's general orders, as well as all of her filed tariff schedules.

The staff made certain recommendations with respect to the filing by applicant of a revised tariff service area map, rules, forms and a comprehensive system map, and also made recommendations relating to depreciation practices. The staff, in addition, recommended that applicant be required to institute a program of water testing and to report to the Commission in connection therewith. We find that these recommendations are reasonable and the order that follows will provide that they be carried out.

Some of applicant's customers have indicated that the increase in rates proposed by applicant is excessive, particularly for the short time during which they occupy their summer homes. The Commission finds, however, that a water system must be constructed and maintained in such a manner that the reasonable demands of all customers may be met, even if this involves only a relatively few days during the year when such demands may be at their peak. The system cannot be expanded during periods of peak demand and contracted when demands are low, nor can the yearly 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. The present rates have been in effect without change for over 21 years.

The Commission has considered the request of applicant and is of the opinion that a public hearing is not necessary. It is 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.

O R D E R

IT IS HEREBY ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the rate schedule 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 rate effective for all water service rendered on and after May 1, 1961.

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 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, applicant 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, transmission, storage and distribution facilities; and the location of the various water utility properties of applicant.

4. Beginning with the year 1960, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 2.1%. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate, using the straight-line remaining life method, whenever 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 May 1, 1961, applicant shall raise the intake pipe header to the transmission main at the dam so as to prevent sand from entering the transmission line and shall take appropriate action to reduce leakage from the dam and the transmission main. Applicant shall inform the Commission, in writing, that such action has been taken, within ten days after completion of said improvements.

6. a. On or before May 1, 1961, applicant shall institute a program for periodic analysis, by an approved laboratory, of the quality of water furnished to the customers. An outline of such program to be undertaken shall be furnished to the Commission, in writing, prior to said date.

b. On or before November 1, 1961, applicant shall furnish to the Commission a copy of each analysis of water quality made during 1961 prior to said date, together with a statement of any remedial action taken or planned to be taken if any of said analyses indicate the necessity for corrective action.

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

Dated at San Francisco, California, this 17th day of JANUARY, 1961.

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President
[Handwritten signature]

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Commissioners

APPENDIX A

Schedule No. 2RS

SEASONAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area known as Central Camp, and vicinity, Madera County.

RATE

Per Service Connection
Per Season

For each single family residence,
including premises, for the period
May 1 through October 15

\$30.00

SPECIAL CONDITIONS

1. The seasonal charge is due in advance on or before May 1 of each year.
2. The utility at its option may commence service prior to May 1 and may continue service later than October 15.