

ORIGINAL

Decision No. 51474

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WINTON WATER COMPANY, INC., to increase rates under authority of Public Utilities Code, Section 454.

Application No. 41820
(Amended)

O P I N I O N

By this application filed January 4, 1960 and amended July 5, 1960, Winton Water Company, Inc., a California corporation, requests authority to increase rates for water service in the unincorporated community of Winton, approximately 10 miles northwest of the City of Merced, Merced County. The utility, on January 1, 1960, was serving water to approximately 380 active service connections, all of which were served on a flat rate basis.

The application states that applicant should be granted this rate relief immediately in order to maintain its financial position and to provide satisfactory service to its customers. The application further states that rates for the Winton tariff area have been in effect without change since 1923,^{1/} and for the Myrtle Acres tariff area since on or about July 20, 1952.

History of System

Winton Water Works was acquired by Winton Hall, Inc., from Co-Operative Land Company by authority of the Commission in its Decision No. 12407, dated July 27, 1923, in Application No. 9257. A certificate of public convenience and necessity was also granted to Winton Hall, Inc., under the terms of this decision.

^{1/} This statement is in error. Present rates for the Winton tariff area were authorized to become effective on October 21, 1959.

A second water utility, owned and operated by Frank C. Warkentin, doing business as Myrtle Acres Water Service, was formed about 1952 and was certificated by Decision No. 47385, dated June 30, 1952, in Application No. 33277, to render water service in an area adjacent to the area being served by Winton Hall, Inc. Frank C. Warkentin sold his interests in the utility properties of Myrtle Acres Water Service to A. E. Heppner, by authority of Decision No. 51964, dated September 13, 1955, in Application No. 37202.

In order to improve and facilitate water service to both the Winton Hall and Myrtle Acres areas, the two systems were interconnected and a single firm, Winton Water Company, Inc., incorporated under the laws of the State of California on April 27, 1956, was formed for this purpose. By Decision No. 58154, dated March 24, 1959, in Application No. 40759, this Commission authorized Winton Water Company, Inc., to purchase the public utility water systems of Winton Hall, Inc., and A. E. Heppner, doing business as Myrtle Acres Water Service, by issuance of not exceeding \$17,825 par value of common stock.

Description of System

On January 1, 1960, water was being supplied from six wells, each equipped with an electric turbine pump and a hydro-pneumatic tank. Water is pumped into the pressure tanks and thence delivered at operating pressures of between 30 and 60 pounds per square inch into the distribution system, which consists of approximately 2,650 feet of 6-inch, 6,300 feet of 4-inch, 12,250 feet of 2-inch, 2,500 feet of 1½-inch and 3,000 feet of 1-inch pipe. The 6-inch and 4-inch mains are asbestos-cement and the balance of the mains consist of standard steel pipe.

One of the wells serves a single street, Fairlane Avenue, and is not at present interconnected with the main part of the water system. There are 25 customers receiving water from this well. During the time which had elapsed since the original application for this proceeding was filed, the utility has drilled three wells, two of which replaced existing wells, with the third being an additional source of supply intended to supplement the supply now available for the Fairland Avenue area. Eventually, as time and circumstances permit, this separate system is to be interconnected with the rest of the system.

Rates, Present and Proposed

Applicant's present rates for general metered service and for flat rate service became effective for the Winton tariff area on October 21, 1959 by authority of the Commission's Resolution No. W-668 dated October 13, 1959, and for the Myrtle Acres tariff area on August 1, 1952 by authority of Decision No. 47385, dated June 30, 1952, in Application No. 33277. The following tabulation is a comparison of the present rates and the basic rates as proposed by applicant for the entire service area:

General Metered Service

	<u>Per Meter Per Month</u>		
	<u>Present Rates</u>		<u>Proposed Rates</u>
	<u>Winton Tariff Area</u>	<u>Myrtle Acres Tariff Area</u>	<u>Winton & Vicinity Tariff Area</u>
Quantity Rates:			
First 1,000 cu.ft. or less	\$2.00	\$2.50	\$ 4.25
Next 300 cu.ft., per 100 cu.ft. ...	-	.20	.40
Next 700 cu.ft., per 100 cu.ft. ...	.15	.20	.40
Next 1,000 cu.ft., per 100 cu.ft. ...	.15	.20	.35
Next 2,000 cu.ft., per 100 cu.ft. ...	.15	.18	.35
Next 5,000 cu.ft., per 100 cu.ft. ...	.15	.15	.30
Over 10,000 cu.ft., per 100 cu.ft. ...	.15	.12	.30
Minimum Charge:			
For 5/8 x 3/4-inch meter	2.00	2.50	4.25
For 3/4-inch meter	-	4.00	6.25
For 1-inch meter	-	-	12.00
For 1 1/2-inch meter	-	-	20.00
For 2-inch meter	-	-	35.00

Flat Rate Service

	<u>Per Connection Per Month</u>		
	<u>Present Rates</u>		<u>Proposed Rates</u>
	<u>Winton Tariff Area</u>	<u>Myrtle Acres Tariff Area</u>	<u>Winton & Vicinity Tariff Area</u>
Rates:			
Single residence or business	\$2.00	\$2.50	\$4.50*

* Including premises not exceeding 9,000 square feet in area, but not applicable to service connections larger than one inch in diameter.

The proposed flat rates provide further charges for the same premises for additional residential or business units, for premises in excess of 9,000 square feet in area, for tank houses or ice houses and for swimming pools when such items are served from the same service connection. Additionally, special rates are proposed for commercial laundrettes and for freezer locker plants.

Applicant does not presently have on file with the Commission rates for public fire hydrant service and does not propose such rates at this time.

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 16, 1960, and numbered Exhibit No. 1. The engineer's investigation is summarized in a memorandum, dated December 15, 1960, and numbered Exhibit No. 2.

The staff's investigations disclosed that the applicant had not consummated main extension contracts or agreements with four subdividers at the time the original application was filed, nor had three of these contracts been consummated at the time the amendment to the application was filed. The utility contended that it is making every effort to obtain the necessary conveyances and cost data needed to complete these remaining contracts.

It was also ascertained by the staff engineer that the utility has been levying certain additive charges in customers' bills which are not authorized by its presently filed tariffs. Moreover, it appears that for a time the utility required new customers to pay a \$10 connection charge, although the utility has advised that this practice has been discontinued.

The staff engineer's investigation also disclosed that there are approximately 13 standard type hydrants and three wharf type hydrants connected to the utility's mains. The Merced County Fire Department furnishes fire protection service in the area and has apparently on occasion used the hydrants, but is not agreeable to paying for public fire hydrant service. One of the reasons given for this position appears to be the fact that there has been considerable sand in the water.

Customer Response

A letter sent by the Commission to each of applicant's customers on October 17, 1960, provided the customers with information concerning applicant's present and proposed rates, a comparison of earnings at the present and proposed rates, and an outline of applicant's improvement program, and requested comments concerning rates and service. A copy of this letter and of the mailing list to whom the letter was sent is designated Exhibit No. 3-A.

In response to the 348 letters sent to customers, 37 replies were received. Most of these responding letters objected to the magnitude of the proposed increase. Some customers complained about low pressures or outages of water, sand in the water, the utility's handling of service complaints, and errors in application of the utility's filed tariffs. These replies were analyzed and are summarized in Exhibit No. 3-B.

Service Improvements

Service improvements were discussed by the Commission staff engineer with applicant's president and other representatives. Subsequently, applicant set forth, in Exhibit L of the amendment to the application, the proposed improvement schedule which it intends to follow during the next three years. An analysis of this program is included in Exhibit No. 2.

Appraisal of Utility Plant

Applicant had an appraisal and depreciation reserve requirement study prepared by a registered civil engineer. This was originally prepared in connection with Application No. 40759, which resulted in the Commission's Decision No. 58154, dated March 24, 1959, under the terms of which Winton Hall, Inc., and A. E. Heppner, doing business as Myrtle Acres Water Service, were granted authority to sell their public utility water systems to Winton Water Company, Inc.

This appraisal and study, with certain adjustments, reasonably represent the status of the utility plant and related depreciation reserve as of December 31, 1959. From this appraisal and minor adjustments thereto, the total utility plant was determined to be \$77,172.65 and the related depreciation reserve \$7,263.00 as of the aforesaid date.

Pursuant thereto, applicant will be authorized to place the following figures upon its books of account, as of December 31, 1959:

Utility Plant

Ac. 301	Intangible Plant	\$ 4,200.42
Ac. 306	Landed Capital	746.50
Ac. 315	Wells	2,052.00
Ac. 324	Pumping Equipment	11,695.78
Ac. 342	Reservoirs and Tanks	4,172.00
Ac. 343	Transmission & Distribution Mains	46,303.40
Ac. 345	Services	5,512.26
Ac. 348	Hydrants	2,490.29
Total Utility Plant		\$77,172.65
Depreciation Reserve		\$ 7,263.00

Rate Base

The rate base hereinafter adopted is predicated upon the applicant's appraisal as reviewed and adjusted by the Commission's staff. Amounts of \$200 for materials and supplies and of \$690 for working cash, as estimated by the staff, have been included in the rate base. Also included in rate base are staff estimates of additions and betterments at five wells, programmed 1960 improvements and certain other facilities.

In addition to the deduction of the depreciation reserve from rate base, the staff deducted amounts representing the total of advances for construction, since no refunds have been made on these advances.

Summary of Certain Exhibits

Exhibit K attached to the amendment to the application shows a loss for the reported year 1959 at present rates and a rate of

return of 1.2% for an estimated year in the future. However, the rate base shown by applicant does not exclude the amounts representing advances for construction.

The Commission staff developed rates of return for the year 1959 adjusted and the year 1960 estimated, under the present rates and under the proposed rates presented in the amendment to the application. These results were incorporated in a letter to the applicant, dated September 27, 1960, a copy of which is designated Exhibit No. 4-A.

Applicant took exception to certain items in this summary. These items were reviewed and minor adjustments were made by the staff to its figures. This revised summary was discussed with applicant and the latter then concurred therein, and so advised the Commission by letter dated October 11, 1960, which letter is numbered Exhibit No. 4-B. The revised summary was presented in a letter to applicant, dated October 31, 1960, which letter is designated Exhibit No. 4-C. Such revised estimates for the year 1960 estimated are as follows:

Summary of Earnings

<u>Item</u>	<u>1960 Estimated</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 9,890	\$23,370
Deductions:		
Operating Expenses	14,820	14,820
Taxes Other Than Income	730	730
Taxes on Income	100	1,670
Depreciation Expense	1,660	1,660
Total Operating Expenses	<u>\$17,310</u>	<u>\$18,880</u>
Net Revenue	\$ <u>(7,420)</u>	\$ 4,490
Average Depreciated Rate Base	\$43,250	\$43,250
Rate of Return	Loss	10.4%

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 applicant are somewhat excessive and we so find. The Commission finds and concludes that the estimates of revenues, expenses and rate base as hereinabove developed 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 that applicant is entitled to some return on its investment, after allowance for all reasonable operating expenses, taxes and depreciation. However, applicant's customers have a right to expect satisfactory water service and it is evident that in many respects applicant's service has not been satisfactory. We find and conclude that applicant is entitled to rate relief, after due consideration has been given to the deficiencies in service, and that rates should be authorized that will result in increased revenues to applicant in an over-all amount of \$9,570 annually, an increase of approximately 97 percent. The increase in rates will be somewhat higher percentagewise in the present Winton Tariff Area than in the present Myrtle Acres Tariff Area, but since the two areas are generally comparable in terrain, are interconnected and are supplied from the same facilities, it would be discriminatory, in our opinion, to have separate rate structures under the circumstances here found.

Using estimated revenues of \$19,460 and estimated expenses of \$17,590, the rates hereinafter authorized will result in net revenue of \$1,970. Such net revenue represents a rate of return of approximately 4.3 percent on a depreciated rate base of \$43,260, which return and rate base we hereby adopt and find reasonable for the purpose of this decision.

To the extent that the estimated costs of making those improvements to the water system which are to be completed during 1961 have been included in the rate base hereinabove adopted, the order which follows will require applicant to make such improvements within the immediate future.

The staff's investigations revealed that applicant has not been rendering water service in accordance with its tariffs presently on file with the Commission and has not been handling customers' complaints satisfactorily nor keeping an adequate record of such complaints as required by the Commission's General Order No. 103. Applicant is placed on notice that henceforth it will be expected to comply with all of its filed tariff schedules, as well as all of the Commission's general orders, and will be expected forthwith to set up and maintain adequate records of customers' complaints.

The staff made certain recommendations with respect to the filing by applicant of a revised tariff service area map, sample copies of printed forms used in connection with customers' services, and a comprehensive system map, and also made recommendations relating to depreciation practices. The staff, in addition, recommended that applicant file a rate schedule for public fire hydrant service and that certain improvements should be made to applicant's water system in 1961. We find that these recommendations are reasonable and the order which follows will provide that they be carried out.

With respect to rates for public fire hydrant service, the staff's investigations revealed that there are a number of fire hydrants connected to the utility's mains and that the Merced County Fire Department has apparently on occasion used these hydrants. A public utility cannot be expected to accommodate any classification of service for which no revenue is received. Such service not only

represents discrimination towards other customers of the utility but may also, if allowed to continue, place an undue burden on the utility. We conclude, therefore, that the rates hereinafter authorized for public fire hydrant service are reasonable and applicant is placed on notice that it should make every reasonable effort to collect the corresponding revenues from the appropriate fire protection agency which avails itself of the fire hydrant service.

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 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 April 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, a revised tariff service area map and sample copies of printed forms that are normally used in connection with customers' services. Such 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 thereon 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 applicant.

4. On or before April 1, 1961, applicant shall install adequate protection from vandalism for the electric and hydraulic controls at each pump station and shall notify the Commission, in writing, that this has been done, within ten days thereafter.

5. On or before June 1, 1961, applicant shall install and place in operation a suitable pump in its recently drilled Well No. 7, located in the Toews Subdivision, including the mains to connect this pump into the Fairlane Avenue system, and shall inform the Commission, in writing, that this has been accomplished, within ten days thereafter.

6. On or before April 30, 1961, applicant shall make the necessary repairs to improve the service and efficiency of its Well No. 2 pump and motor, and shall inform the Commission, in writing, of the work done to accomplish this, within ten days thereafter.

7. Beginning with the year 1960, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 2.2 percent. 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 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.

8. Except to the extent authorized herein, the application be and it is denied.

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

Dated at San Francisco, California, this 14th day of FEBRUARY, 1961.

Ernest W. ...
President
... Mitchell
C. ... Fox
George H. ...
Frederick B. Holdoff
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Winton, and vicinity, located approximately 10 miles northwest of the City of Merced, Merced County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu.ft. or less	\$ 3.50
Next 4,200 cu.ft., per 100 cu.ft. ....	.30
Over 5,000 cu.ft., per 100 cu.ft. ....	.20
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	5.00
For 1-inch meter	7.50
For 1 1/2-inch meter	13.00
For 2-inch meter	18.00

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 Winton, and vicinity, located approximately 10 miles northwest of the City of Merced, Merced County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
1. For a single family residence, church, firehouse, public hall, store, market or small industrial shop, including premises not exceeding 9,000 square feet in area		\$3.75
a. Additional, for each additional residential unit, store, market or small industrial shop, on the same premises and served from the same service connection:		
	<u>1 to 4</u> <u>Units</u>	<u>Over 4</u> <u>Units</u>
Each unit with inside water facilities	\$1.75	\$1.50
Each unit without inside water facilities	1.50	1.25
b. Additional, for each 1,000 square feet, or fraction thereof, of area in excess of 9,000 square feet on the same premises and served from the same service connection		\$.15
c. Additional, for each tank house or ice house on the same premises and served from the same service connection		\$1.75

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Schedule No. 2

GENERAL FLAT RATE SERVICE
(Continued)

RATES (Continued)

	<u>Per Service Connection Per Month</u>	
d. Additional, for each swimming pool equipped with recirculating filter system on the same premises and served from the same service connection		\$1.75
	<u>First 10 Washing Machines</u>	<u>Over 10 Washing Machines</u>
2. For each commercial launderette, per washing machine	\$1.75	\$1.50
3. For each freezer locker plant		\$5.00

SPECIAL CONDITIONS

1. The above rates shall apply only to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications will be furnished only on a metered basis.
3. Meters may be installed at option of utility or customer, in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

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 unincorporated community of Winton, and vicinity, located approximately 10 miles northwest of the City of Merced, Merced County.

RATE

	<u>Per Month</u>
For each standard type hydrant	\$2.00
For each wharf type hydrant	1.00

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 a result of its normal operation of the system.