

ORIGINALDecision No. 61808

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of ORAL H. ATCHISON, an individual
doing business as CALIMAR WATER COM-
PANY for authority to increase rates.

Application No. 42739

Deadrich & Bates, by Kenneth H.
Bates, for applicant.

Mrs. Bobbie Jean Washington, for
Carversville-Chrystals Height
Improvement Committee.

L. L. Thormod and Alfred V. Day,
for the Commission staff.

O P I N I O NApplicant's Request

Oral H. Atchison, doing business as Calimar Water Company, filed application under the above number on October 10, 1960, and an amended application thereunder on November 25, 1960. The amended application requests authority to increase rates for water service by approximately \$7,450 or by 80%, based on the 1960 level of business.

Public hearing was held before Examiner James F. Haley at Bakersfield on February 9, 1961, and the matter was submitted subject to the receipt of a late filed exhibit, which was filed with the Commission on February 16, 1961.

Description of Water System

Applicant renders service in Kern County Tracts Nos. 1443, 1509, 1569, 1574 and 1603 near the City of Bakersfield. As of June 30, 1960, the system provided water to 267 residential customers, one motel, 13 small businesses and 14 irrigation users. All customers are served on a flat rate basis. The sources of water are

three wells equipped with turbine pumps discharging into three pressure tanks, which are interconnected through the distribution system. Water is distributed through some 24,000 feet of mains ranging in diameter from two to five inches.

Applicant provides public utility water service pursuant to the certificates of public convenience and necessity granted by the Commission in Decision No. 44970, dated October 30, 1950, in Application No. 31532 and Decision No. 47103, dated May 5, 1952, in Application No. 33185. Present rates have been in effect since applicant first rendered service under the above certificates.

Applicant's Position

According to applicant, the water system has lost money during each of the years 1954 through 1960, with such losses assertedly aggregating approximately \$27,000 and averaging over \$3,800 per year. Applicant states that the system is in need of replacement and repair of existing equipment and requires the addition of new equipment and the removal of old. Applicant has appended as Exhibit G to the application a schedule of improvements programmed for installation during the next two years. These plant improvements include distribution mains and a 43,000 gallon storage tank. Applicant estimates that the program will cost approximately \$14,800. It is applicant's position that the system's earnings must be improved in order to make these additions and betterments and to continue furnishing water service to the public.

Earnings Results

The tabulation below presents applicant's results of operation for the year 1960 on the following bases: first six months recorded experience annualized; Commission staff estimates at present

and proposed rates; and adopted results at the rates authorized herein.

RESULTS OF OPERATIONS
Year 1960

	.1st 6 Months Recorded Annualized	As Estimated by the Staff		As Adopted At Auth Rates
		.At Present Rates	.At Proposed Rates	
Operating Revenues	\$10,134	\$ 9,300	\$16,750	\$14,000
Deductions:				
Operating Expense	11,518	10,400	10,400	11,000
Taxes Other than Income	432	610	610	650
Depreciation Ex- penses	2,444	745	745	760
Income Taxes	---	---	1,154	330
Total Deductions	14,394	11,755	12,909	12,740
Net Revenues	Loss	Loss	3,841	1,260
Depreciated Rate Base	21,934	15,110	15,110	18,000
Rate of Return	Loss	Loss	25.4%	7.0%

Adopted Results

The recorded figures shown above are based upon accounting records which have not been properly maintained. According to applicant's own accounting witness, until he was engaged by applicant in 1960, no entries had been made in the general ledger since December 31, 1955. We therefore regard the recorded figures as an unreliable basis for fixing rates. We adopt the staff's results with the following adjustments, which are indicated by the record to be appropriate: (1) rate base is increased by \$1,560 to reflect a midyear balance of \$7,150 for advance for construction rather than the "theoretical" advances in the amount of \$8,710 used by the staff; (2) a working cash allowance of \$430 has been included in rate base; (3) ad valorem taxes, depreciation expense and rate base have been increased to reflect an investment of \$1,800, rather than \$900, in

the longer 4-inch main ordered herein to be installed; and (4) maintenance expenses have been increased by \$600 over the staff figures to more nearly reflect the probable level for the near future.

The staff determined depreciation expenses by the straight-line remaining life method, using a composite rate of 2.3%, which rate we find to be reasonable and proper. We are of the opinion that the straight-line remaining life method will permit applicant to meet the basic depreciation objective of recovering the original cost of water plant less estimated net salvage over the useful life of such plant. The order herein will provide that applicant shall determine depreciation expenses by multiplying depreciable utility plant by a rate of 2.3% until review using the straight-line remaining life method indicates such rate should be revised.

Rate of Return

The evidence clearly shows that applicant is operating at a loss and that he is entitled to rate relief. The proposed rates, however, would yield an excessive rate of return, and applicant will not be granted the full amount of the requested \$7,450 increase. We find that a gross increase in the annual amount of \$4,700 would yield 7 percent, which rate of return we find to be reasonable for applicant's operations based upon the evidence in this proceeding.

Authorized Rates

The following tabulation compares the rates authorized herein with corresponding present rates for the principal types of flat rate service for connections 3/4-inch or less in diameter:

	Per Month			
	Present Rates	Authorized Rates	Increase Amount	Percent
Single dwelling, including irrigation of 6,000 sq. ft., or less	\$2.50	\$3.75	\$1.25	50%
Stores, offices, markets or shops	3.00	4.50	1.50	50%
Restaurants or service stations	5.00	7.50	2.50	50%
Motel, including first unit	5.00	7.50	2.50	50%
Each additional unit	1.00	1.50	.50	50%
Irrigation, May through October per 100 sq. ft.	.05	.08	.03	60%

For service connections greater than 3/4-inch in diameter, the rate schedules authorized herein will provide that service shall be furnished on a metered basis only.

In order to improve administration of applicant's tariffs

for the benefit of the utility and the user alike, the flat rate schedules set forth in Appendix A hereto have been simplified and clarified in comparison to those proposed by applicant.

The meter rates authorized herein are designed to produce, under the hypothesis of a completely metered system, substantially the same rate of return as hereinabove found reasonable.

Service Problems

A representative of the Carversville-Chrystals Height Improvement Committee testified that the water provided by applicant is rusty and is delivered at very low pressures. She testified further as to irregularities in applicant's deposit requirements, billing practices, and disconnection and reconnection procedures.

While applicant's water system is far from ideally engineered and constructed, under proper operation it should be capable of delivering potable water at pressures of 25 pounds per square inch or more at the service connections of its users. However, the record shows that operation and maintenance of the three pumping stations is carried out in a manner below minimum acceptable standard engineering practices. Pumping cycles, coordination of pumps, and live storage levels are not adjusted to obtain optimum efficiency. The insides of the tanks are not regularly cleaned and painted. The pressure tanks do not comply with minimum safety standards for pressure relief devices. There are insufficient instruments to check and regulate the live storage capacity of the tanks. The facilities at the three sites are not adequately protected against interference by unauthorized persons. The amounts of water pumped are not measured and analyzed for indications of pump inefficiency, possible broken mains, wastage of water by customers and lowering of the water table.

Applicant is either unfamiliar with the general orders of this Commission and the provisions of his filed tariffs, or he is operating in flagrant disregard of both. The Commission admonishes him to familiarize himself with such orders and tariff provisions, and we hereby place him on notice that, having become aware of the

existing service problems, we will not tolerate their continuation. Applicant's attention is called particularly to those paragraphs of General Order No. 103 relating to discontinuance of service, quality of water and pressures. ✓

The Commission will expect applicant promptly to regularize his operations and make the plant arrangements necessary to provide an acceptable quality of service. As a specific measure for immediate service improvements, the order herein will require applicant to reinforce his distribution system by installing, not later than July 1, 1961, a 4-inch diameter main connected in parallel with the existing 2-inch main in the easement between Lewis Street and Brook Street in Tract 1443. ✓

Findings and Conclusions

The Commission has carefully weighed all the evidence of record. The action we are taking herein will produce an over-all result which will be fair and reasonable. We find, therefore, that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

O R D E R

Oral H. Atchison having applied to this Commission for an order authorizing increased rates and charges for water service, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to file in quadruplicate, in conformity with the provisions of General Order No. 96, the schedules of rates and charges set forth in Appendix A attached to this order and, on not less than five days' notice to the public and to this

Commission, to make said rates and charges effective for all water service rendered on and after May 16, 1961.

2. Applicant shall install, not later than July 1, 1961, a main, not less than 4 inches in diameter, connected in parallel with the existing 2-inch main in the easement between Lewis Street and Brook Street in Tract 1443. Applicant shall report to the Commission in writing within ten days following completion of the parallel main.

3. Applicant shall, within ninety days after the effective date of this order, file in accordance with provisions of Section X of General Order No. 96 copies of all existing main extension contracts.

4. Applicant shall file in quadruplicate with the Commission on or before July 1, 1961, in conformity with the provisions of General Order 96 and in a form acceptable to the Commission, a revised tariff service area map, rules governing customer relations revised to reflect present day operating practices, and sample copies of printed forms and contracts that are normally used in connection with customers' services.

5. Applicant shall file with the Commission on or before July 1, 1961, four copies of a comprehensive map drawn to an indicated scale not smaller than 100 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 system properties of applicant.

6. Beginning with the year 1960, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 2.3 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.

7. Applicant shall have the water served for domestic use sampled and tested monthly by an authorized laboratory.

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

Dated at San Francisco, California, this 11th day of APRIL, 1961.

Robert H. Berg
 President

Robert M. ...

E. Lynn Fox

George H. ...

Fredrick B. ...
 Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated areas known as Tracts Nos. 1443, 1509, 1569, 1574 and 1603, located approximately 5 miles southeast of the city of Bakersfield, Kern County.

RATES

	Per Meter Per Month
Quantity Rates:	
First 800 cu. ft. or less.....	\$ 2.50
Next 1,200 cu. ft., per 100 cu. ft.....	0.20
Next 2,000 cu. ft., per 100 cu. ft.....	0.15
Over 4,000 cu. ft., per 100 cu. ft.....	0.12
Minimum Charge:	
For 5/8 X 3/4-inch meter.....	2.50
For 3/4-inch meter.....	3.50
For 1-inch meter.....	5.00

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

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Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated areas known as Tracts Nos. 1443, 1509, 1569, 1574 and 1603, located approximately 5 miles southeast of the City of Bakersfield, Kern County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
1. For a single family residential unit, including premises not exceeding 6,000 sq. ft. in area.....	\$ 3.75
a. For each additional residential unit on the same premises and served from the same service connection	2.25
b. For each 100 sq. ft., or fraction thereof, of irrigated area in excess of the 6,000 sq. ft. included in the initial charge and served from the same service connection during the 6-month period May through October.....	0.08
2. For each store, office, market or shop.....	4.50
3. For each restaurant or service station.....	7.50
4. For the first unit of a hotel or motel, including office and utility rooms.....	7.50
a. For each additional unit.....	1.50
5. For each evaporative-type cooler, in addition to regular flat rates, during the 6-month period May through October:	
Circulating type.....	0.40
Non-circulating type.....	0.80

(continued)

Schedule No. 2

GENERAL FLAT RATE SERVICE
(continued)

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than 3/4-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 for above classifications, in which event service will thereafter be rendered only on the basis of Schedule No. 1, General Metered Service.