

Decision No. 61885

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
LILA R. BERG, dba ROSAMOND WATER  
COMPANY, for an increase in rates  
for water service.

Application No. 42404

John C. Luthin for applicant.  
James G. Shields and Casimir Strelinski for  
the Commission staff.

O P I N I O N

Lila R. Berg,<sup>1/</sup> an individual doing business as Rosamond Water Company, by the above-entitled application filed June 27, 1960, seeks authority to increase rates for water service in the unincorporated community of Rosamond in Kern County. Applicant avers that the proposed rates would produce gross annual revenues amounting to \$5,152 in excess of those which would be produced by the applicant's present rates, based on estimated operations for the test year 1960, an increase of 21.8%.

A public hearing was held before Examiner Stewart C. Warner on March 1, 1961, at Rosamond. About twenty customers attended the hearing, but no protests to the granting of the application were entered.

By a letter to the Commission dated December 2, 1960, the applicant requested that hearings on her application not be set earlier than February 1, 1961.

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<sup>1/</sup> Widow of Samuel I. Berg.

General Information

The applicant's husband, Samuel I. Berg, purchased the water system in Rosamond from George P. Hummel and said purchase was authorized by Decision No. 46000, dated July 31, 1951, in Application No. 32433. Mr. Berg operated the water system until his death in April 1960, and the applicant herein now operates it. Mr. Berg's estate is in probate.

As of December 31, 1959, water service was being furnished to 475 active metered services and 30 fire hydrants. No report of active service connections was made for the year 1960, and as of the date of the hearing the record shows there were 552 service connections with 473 being presently served. Rosamond is located in the north portion of Antelope Valley about 18 miles from the community of Lancaster on U. S. Highway No. 6. The economy of this portion of the Antelope Valley is receding due to the transfer of aircraft construction and testing activities to other areas, and no growth in the applicant's system is anticipated for the immediate future.

Rates

The applicant's present rates were established by Decision No. 38083, dated July 27, 1945, in Application No. 26239. All services are metered. The following tabulation is a comparison of the present rates with those proposed in the application.

<u>Quantity Rates</u>		<u>Per Meter</u>	<u>Per Month</u>
		<u>Present Rates</u>	<u>Proposed Rates</u>
First	800 cubic feet, per 100 cubic feet.	\$0.25	\$0.30
Next	200 cubic feet, per 100 cubic feet.	.25	.24
Next	1,000 cubic feet, per 100 cubic feet.	.15	.24
Next	3,000 cubic feet, per 100 cubic feet.	.15	.13
Over	5,000 cubic feet, per 100 cubic feet.	.10	.12

For 5/8 x 3/4-inch and for 3/4-inch meters, at the present rates the charge for a monthly consumption of 1,500 cubic feet is \$3.25; at the proposed rates said charge would be \$4.02.

### Earnings

Exhibit No. 1 is a report on the applicant's operations submitted by her consulting engineer who, in his testimony, revised the earnings data contained therein. Exhibit No. 2 is a report on the applicant's operations submitted by Commission staff accounting and engineering witnesses. The following tabulation summarizes the earnings data contained in Exhibit No. 1 as revised by the testimony, and in Exhibit No. 2.

### SUMMARY OF EARNINGS

Item	Year 1960 Estimated			
	Present Rates		Proposed Rates	
	Per Co.	Per PUC	Per Co.	Per PUC
	Exh. #1*	Exh. #2	Exh. #1*	Exh. #2
Operating Revenues	\$23,620	\$25,130	\$28,772	\$30,420
Operating Expenses	15,000	17,110	14,900	17,110
Depreciation	7,240	5,450	7,239	5,450
Taxes	2,270	2,430	3,298	3,750
Subtotal	24,510	24,990	25,437	26,310
Net Revenue	(890)	140	3,335	4,110
Rate Base	45,890	50,850	45,890	50,850
Rate of Return	-	0.3%	7.3%	8.1%

(Red Figure)

\*As revised by testimony of applicant's witness.

A review of the record discloses several differences in the estimates of operating revenues, operating expenses, including depreciation and taxes, and rate base submitted by the applicant and the staff. The record shows that the staff encountered considerable difficulty in reviewing the applicant's accounting records.

due primarily to Mr. Berg's death. The inadequacies of the records thereafter and the adjustment and correction of the applicant's records resulted in the principal differences in the earnings estimates heretofore set forth.

The record shows that the applicant has been utilizing the straight-line group method for calculating depreciation based upon the end of year plant. Depreciation for income tax purposes has been computed by the staff utilizing the straight-line remaining life method.

#### Water System Improvement Program

The applicant testified that she planned to spend \$5,000 during the summer of 1961 to replace 2-inch and 3-inch leaking mains. However, she did not make any commitment on amounts to be spent in following years for completion of the replacement program.

#### Staff Recommendations

Chapter 6 of Exhibit No. 2 contains seven recommendations by the staff engineer covering a program to replace steel mains; depreciation accounting; the securing by the applicant of clear title to all of her property; submitting to the Commission for approval any main extension agreements which deviate from her standard main extension agreement forms; the filing of an up-to-date service map, rules governing customer relations, and sample copies of printed forms; the filing of a comprehensive map of her water system; and applying for approval of transfer of proprietorship from Samuel I. Berg to Lila R. Berg.

Exhibit No. 2 shows that operating pressures were found to be within acceptable standards and no service complaints by customers were found to have been filed either with the applicant or with the Commission.

No service complaints were entered at the hearing.

Findings and Conclusions

After a careful review of the record, it is found as a fact and concluded that the rate of return for the test year 1960, estimated, which would be produced by the applicant's present rates for water service would be deficient, and that the applicant is entitled to and in need of financial relief.

It is further found as a fact and concluded that the estimates of operating revenues, operating expenses, including depreciation and taxes, and rate base submitted by the Commission staff are reasonable, and that they should be adopted.

It is further found as a fact and concluded that the rate of return of 3.1% which would be produced by the rates proposed in the application is reasonable, and the order hereinafter will authorize the applicant to file her proposed schedules of rates, with the changes proposed by the Commission staff in Exhibit No. 2 for minimum monthly charges for 3/4-inch, 1-inch, 1½-inch and 2-inch meters. These rates will produce additional annual gross revenues of approximately \$5,290 based on the test year 1960, an increase of 21 per cent.

The Commission further finds as a fact and concludes that the increases in rates and charges authorized herein are justified and that present rates insofar as they differ from those herein prescribed will for the future be unjust and unreasonable.

The record shows that the applicant is willing and intends to carry out the staff recommendations, and the order hereinafter will direct her to do so.

O R D E R

Application as above-entitled having been filed, a public hearing having been held, the matter having been submitted, and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That Lila R. Berg be and she is authorized to file in quadruplicate with the Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedule of rates shown in Appendix A attached hereto, and upon not less than five days' notice to the Commission and to the public to make such rates effective for water service rendered on and after June 1, 1961.
2. That the applicant shall establish a firm program for replacement of steel mains and shall file a copy of her construction schedule for this purpose with the Commission within sixty days after the effective date hereof, and shall file with the Commission each of the two succeeding years on or before June 30 thereof a written report of construction progress under said replacement program.
3. (a) That the applicant shall, beginning with 1961, determine depreciation accrual by accounts, and in the case of mains, reservoirs, and tanks, by the subdivision of accounts used in Table 5-A of Exhibit No. 2 using the gross plant rates developed in said table and shall use such rates until further review indicates that they should be revised.  
(b) That the applicant shall review the depreciation rates using the straight-line remaining life method whenever substantial changes in depreciable utility plant occur and at intervals of not more than five years, and revise the depreciation rates in conformance with such reviews. The results of such reviews shall be submitted to the Commission by April 15 of the year in which the study is made.
4. (a) That the applicant shall undertake forthwith to clear title to all water company property and to secure and record deeds to all real property of the utility and shall on or before December 31, 1961, report to the Commission in writing of her compliance herewith.  
(b) That, when the final decree of distribution of the estate of Samuel I. Berg has been entered, the distributee of the water system shall apply to the Commission for authority to transfer the certificate of public convenience and necessity granted to Samuel I. Berg by Decision No. 46000, and the water system properties to said distributee.

5. That the applicant shall submit to the Commission for approval, within sixty days after the effective date hereof, and in accordance with the provisions of Section X.A. of General Order No. 96, copies of all main extension agreements still in effect entered into prior to March 26, 1959, and of all main extension agreements still in effect entered into on or after that date which do not conform to the applicant's form of main extension agreement effective on said date as part of her filed tariffs.
6. That the applicant shall file, within sixty days after the effective date of this order, in conformity with the provisions of General Order No. 96 and in a form acceptable to the Commission, an up-to-date service area map, rules governing customer relations revised to reflect present-day operating practices, and sample copies of printed forms that are normally used in connection with customers' services.
7. That the applicant shall file, within ninety days after the effective date of this order, four copies of a comprehensive system 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 system properties of the applicant.

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

Dated at San Francisco, California, this  
25<sup>th</sup> day of April, 1961.

*Ernest Allread*  
 President  
*W. E. Mitchell*  
*E. L. Fox*  
*Thomas H. Glover*  
*Frederick B. Hallock*  
 Commissioners

## APPENDIX A

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Rosamond, and vicinity, located on U. S. Highway No. 6 approximately 12 miles south of Mojave, Kern County.

RATES

	Per Meter Per Month
Quantity Rates:	
First 800 cu.ft. or less .....	\$ 2.40
Next 1,200 cu.ft., per 100 cu.ft. ....	.24
Next 3,000 cu.ft., per 100 cu.ft. ....	.18
Over 5,000 cu.ft., per 100 cu.ft. ....	.12
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.40
For 3/4-inch meter .....	3.50
For 1-inch meter .....	5.00
For 1 1/2-inch meter .....	10.00
For 2-inch meter .....	14.00
For 3-inch meter .....	25.00
For 4-inch meter .....	40.00
For 6-inch meter .....	75.00

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