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ORIGINAL

Decision No. \_\_\_\_\_

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
Jack Sollis, Warren Sollis, his wife,  
and James W. Vaughn, a partnership,  
doing business as Highway City Water  
System, for an order authorizing  
increases and changes in rates for  
water service.

Application No. 42831

Lawrence J. Martin, for applicants.

David F. LaRue and Kenji Tomita, for the Commission  
staff.

O P I N I O N

By the above-entitled application, filed November 7, 1960, applicants seek an order of this Commission authorizing increased rates for water service rendered in the unincorporated community of Highway City in Fresno County located approximately seven miles northwesterly of the City of Fresno.

Public Hearing

After due notice, a public hearing in this matter was held before Examiner E. Ronald Foster at Fresno on March 16, 1961. At the hearing applicants requested, and were granted, permission to amend their application to include a rate for evaporative type air coolers which had not been proposed previously.

Approximately a dozen of applicants' customers attended the hearing and two of them testified during the course of the proceeding.

The application was submitted March 27, 1961, upon receipt of applicants' late-filed Exhibit No. 5 which states that, by actual count, 146 customers would be affected by the proposed air cooler rate. The matter is now ready for decision.

Applicants' Requests

The higher rates originally requested by applicants would increase their annual revenues from service to 296 flat rate customers by \$3,290 and from service to 4 metered customers by \$290, at the 1960 level of business. Had the air cooler rate been in effect during that year, there would have been \$365 additional revenue from the flat rate customers.

The total effect of applicants' requested rates would be to increase the 1960 adjusted revenues of \$9,630 obtained at present rates to \$14,175 obtainable at the higher rates as now proposed, an over-all increase of \$4,545, or about 47 percent.

Rates. Present and Proposed

Applicants' present rates have been in effect since June 1, 1952, as authorized by Decision No. 46991 dated April 14, 1952, in Application No. 32807.

The following tabulations show a comparison of the present rates with those requested by applicants.

FLAT RATE SERVICERATES

	<u>Per Service Present Rates</u>	<u>Per Month Requested Rates</u>
For one residence on one lot, including irrigation of land therein not in excess of 6,000 sq. ft.	\$2.60	\$3.65
For each additional separate residence on one lot	1.75	2.45
For each store or business other than hotels or auto courts on one lot	2.60	3.65
For each hotel, auto court, motel or group of cabins on one lot, including irrigation of land not in excess of 6,000 sq. ft.:		
First room or unit	2.60	3.65
Next 14 rooms or units, each without kitchen	.75	1.05
Over 15 rooms or units, each	.60	1.05
Other rooms with kitchens, each	-	2.00
For irrigation of land in excess of 6,000 sq. ft. per lot, applicable during the months of May, June, July, August, September, and October of each year, per 100 sq. ft. irrigated	.03	.045
For each noncirculating, evaporative type air cooler, applicable during the months of May, June, July, August and September of each year	-	.50

GENERAL METERED SERVICERATES

## Quantity Rates:

	<u>Per Meter Present Rates</u>	<u>Per Month Requested Rates</u>
First 1,000 cu.ft. or less	\$2.25	\$3.15
Next 1,000 cu.ft., per 100 cu.ft.	.12	.17
Next 3,000 cu.ft., per 100 cu.ft.	.10	.15
Next 5,000 cu.ft., per 100 cu.ft.	.08	.11
Over 10,000 cu.ft., per 100 cu.ft.	.07	.10

## Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.25	\$ 3.15
For 3/4-inch meter	3.00	4.20
For 1-inch meter	4.00	5.60
For 1 1/2-inch meter	7.00	9.30
For 2-inch meter	11.00	15.40
For 3-inch meter	16.75	23.45
For 4-inch meter	25.00	35.00

Commission Staff Report

Exhibit No. 4 is a report on the results of operation of the Highway City Water System for the year 1960 recorded and adjusted and for the year 1961 estimated, prepared jointly by a financial examiner and an engineer of the Commission's staff.

Reference is made to the said report for a history of the utility since its inception in 1934 and a description and map of the system and the sources of its water supply as now existing.

Accounting Records

The examination of applicants' records by the Commission staff accountants revealed that they have been kept in general conformance with the Uniform System of Accounts for Water Utilities as prescribed by the Commission, with the exception of plant retirement entries. Also, during the years 1957 and 1958, a highway relocation project caused the retirement of utility plant in the amount of \$2,016 and their replacement with facilities costing \$13,973, the major portion of which was contributed by the State Division of Highways; no entries were made on the books to reflect either the retirements of the old facilities or the cost of the new. Incidentally, the highway relocation resulted in the destruction of the premises of 65 customers who did not relocate in Highway City, with consequent loss of revenue to the utility.

On December 31, 1952, the recorded investment in utility plant was restated to conform with the Commission staff appraisal of December 31, 1950, as ordered by Decision No. 46991 previously mentioned. However, during the current investigation it was found that the said appraisal did not include any amount for service connections. Therefore, an amount of \$1,344 has been added by the staff to account for the service connections still existing which

were installed prior to the date of the appraisal, with a corresponding credit of \$306 to the depreciation reserve.

As a result of the audit work performed by the staff in connection with the instant proceeding, various adjustments to the utility's plant accounts and depreciation reserve were made as set forth in considerable detail in Tables 2-A and 2-B and the tabulation on page 22 of the staff report, Exhibit No. 4. The over-all effect of the staff's adjustments to the recorded amounts results in an increase in utility plant of \$9,671 and a decrease in the reserve for depreciation of \$2,624, making an increase in net utility plant of \$12,355 as of December 31, 1960.

Applicants indicated their intention of adopting the staff's recommended adjustments and the order herein will require them to restate their various balance sheet accounts affected thereby. The staff further recommended that applicants institute a procedure whereby there can be established an accurate record of additions to and retirements from utility plant accounts.

#### Summary of Showings

The following tabulation shows a comparison of the estimated results of operation for the year 1961 at both the present rates and the requested rates as presented by applicants and by the Commission staff, both showings revised, however, to reflect the revenue obtainable at the requested rate from 146 services with noncirculating evaporative type water coolers.

SUMMARY OF EARNINGSYear 1961 Estimated (As Revised)

<u>Item</u>	<u>Present Rates</u>		<u>Requested Rates</u>	
	<u>Applicants</u> <u>Exh. 1&amp;2</u>	<u>CPUC Staff</u> <u>Exh. 4</u>	<u>Applicants</u> <u>Exh. 1&amp;2</u>	<u>CPUC Staff</u> <u>Exh. 4</u>
<u>Operating Revenues</u>				
Flat Rate Sales	\$ 9,283	\$ 9,140	\$13,102	\$13,070
Add'l. From Coolers	-	-	365	365
Metered Sales	590	590	880	820
Total Revenues	9,873	9,730	14,347	14,315
<u>Expenses</u>				
Maint. & Operation	12,498	11,030	12,498	11,030
Taxes Other Than Inc.	600	770	600	770
Taxes on Income	-	-	-	245
Depreciation	1,513	1,330	1,513	1,330
Total Expenses	14,611	13,130	14,611	13,375
Net Revenue	(4,738)	(3,400)	(264)	940
Avg. Deprec. Rate Base	11,820	13,580	11,820	13,580
Rate of Return	Loss	Loss	Loss	6.9%

(Red Figure)

The variation between the two showings is primarily due to the difference in amounts allowed as salaries for the owners as operators of the system on a part-time basis, which have heretofore been included in operating expenses at \$4,800 per year. In applicants' estimate for the future, this amount was increased to \$7,200 whereas the staff's estimate allowed only \$6,000 for such salaries. The difference between the average depreciated rate bases results from adjustments to the balance sheet accounts, hereinabove discussed, which were not reflected in applicants' determination of this item.

In estimating taxes on income, the staff has used the same amount for depreciation of utility property as that computed by the straight-line remaining life method for rate making purposes.

A review of the evidence and the methods used indicates that the staff's estimates are the more accurate and realistic and

they will be adopted as reasonable for the purposes of this proceeding.

#### Miscellaneous

The staff made certain recommendations covering depreciation practices and the filing of up-to-date maps, 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. The order herein will require applicants to carry out such recommendations.

Two of applicants' customers testified concerning low-pressure conditions pertaining to service to their premises. From the testimony presented, it is inconclusive whether the low pressures complained of are due to insufficient carrying capacities and resultant low pressures in applicants' water mains or whether they may be due to the size, length and present condition of the customers' service pipelines on their own premises. Applicants should investigate such situations and, if necessary, make suitable changes in the water mains and in the pumping arrangements so as to produce sufficient quantities of water at adequate pressure at customers' service connections under conditions of maximum demand at all times.

#### Findings and Conclusions

Both applicants' and the staff's showings clearly indicate that the revenues obtainable from the present rates are deficient, and we so find.

The Commission further finds and concludes that the estimates of operating revenues, expenses, including taxes and depreciation, and the rate base as developed by the staff for the test year 1961 are reasonable and they will be and hereby are adopted for the purposes of this proceeding.

It is our opinion, and we so find, that applicants are entitled to the rate relief sought and that rates substantially as proposed by applicants will not be excessive or unreasonable and should be authorized. Had such rates been made effective for the full year 1961, they would have resulted in an estimated over-all annual increase in revenues for that year of \$4,585, or about 47 percent more than the revenues obtainable at present rates.

Using estimated revenues for the year 1961 of \$14,315 and estimated expenses of \$13,375, the rates hereinafter authorized will result in a net revenue of \$940, equivalent to a rate of return of approximately 6.9 percent on a depreciated rate base of \$13,580, which return and rate base we hereby adopt and find as reasonable for the purposes of this decision.

The rates requested by applicants will be authorized, except that the minimum charges for some of the larger sizes of meters will be slightly revised to make them more consistent with their respective capacities in relation to that of the smallest-sized meter.

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.

Applicants are placed on notice that steps must be taken forthwith to institute a procedure to establish an accurate record of additions to and retirements from utility plant accounts in conformity with the accounting procedures as set forth in the Uniform System of Accounts for water utilities prescribed by the Commission.



O R D E R

Jack Sollis, Warren Sollis, his wife, and James W. Vaughn, a partnership doing business as Highway City Water System, having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in the unincorporated community of Highway City, Fresno County, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicants are authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A and, on not less than five days' notice to this Commission and to the public, to make such rates effective for all service rendered on and after June 1, 1961.

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 in a form acceptable to the Commission, rules governing customer relations revised to reflect present-day operating practices, a revised tariff service area map and sample copies of printed forms normally used in connection with customers' services. Such rules, tariff service area map and 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 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 applicants.

4. Beginning with the year 1961, applicants shall base the accruals to the depreciation reserve upon spreading the original cost of the plant, less estimated future net salvage and depreciation reserve, over the remaining life of the plant, and shall use the depreciation rates shown in Table 5-A of Exhibit No. 4 of the instant proceeding. These rates shall be used until a review indicates that they should be revised. Applicants shall review the depreciation rates when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

5. Applicants shall restate their various balance sheet accounts so as to place them in substantial conformity with those resulting from the adjustments set forth in Exhibit No. 4 referred to in the foregoing opinion and, within ninety days after the effective date of this order, applicants shall submit to this Commission two copies of the proposed accounting entries necessary to effect such restatement.

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

Dated at San Francisco, California, this  
1st day of May, 1961.

[Signature]  
 President  
[Signature]  
 George E. Brown  
[Signature]  
 Commissioners

APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Highway City, and vicinity, located approximately 7 miles northwest of the City of Fresno, Fresno County.

RATES

		Per Meter Per Month
Quantity Rates:		
First 1,000 cu.ft. or less .....		\$ 3.15
Next 1,000 cu.ft., per 100 cu.ft. ....		.17
Next 3,000 cu.ft., per 100 cu.ft. ....		.15
Next 5,000 cu.ft., per 100 cu.ft. ....		.11
Over 10,000 cu.ft., per 100 cu.ft. ....		.10
Minimum Charge:		
For 5/8 x 3/4-inch meter .....		\$ 3.15
For 3/4-inch meter .....		4.10
For 1-inch meter .....		6.00
For 1 1/2-inch meter .....		10.00
For 2-inch meter .....		15.00
For 3-inch meter .....		24.00
For 4-inch meter .....		36.00

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 flat rate water service.

TERRITORY

The unincorporated community of Highway City, and vicinity, located approximately 7 miles northwest of the City of Fresno, Fresno County.

RATES

	Per Service Connection Per Month
1. For a single family residential unit, including irrigation of an area not exceeding 6,000 sq.ft. ....	\$3.65
a. For each additional single family residential unit on the same premises and served from the same service connection .....	2.45
2. For each hotel or motel, including only the office, central utility facilities, manager's living quarters and irrigation of an area not exceeding 6,000 sq.ft. ....	3.65
a. For each additional rental room or unit:	
Without kitchen facilities .....	1.05
With kitchen facilities .....	2.00
3. For each business establishment other than those included in above Classification 2 ...	3.65
4. For each 100 sq.ft. of irrigated area in excess of the 6,000 sq.ft. provided for units in above Classifications 1 and 2, during the 6-month period May through October .....	.045
5. For each noncirculating, evaporative type air cooler, during the 5-month period May through September .....	.50

(Continued)

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Schedule No. 2

GENERAL FLAT RATE SERVICE  
(Continued)

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.
2. Meters may be installed at option of utility or customer for above classifications, in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.