

62482

ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MABEL P. B. ROE
for an order authorizing an increase
in applicant's rates for water service,
and approving rules and regulations
governing water service.

Application No. 43121

Francis A. Moore, Jr., and Mack, Bianco, King & Eyherabide, by Harvey H. Means, for applicant.
Alfred V. Day and Kenji Tomita, for the Commission staff.

O P I N I O N

Applicant's Request

Mrs. Mabel P. B. Roe, an individual doing business as Cherokee Water Company, filed this application February 1, 1961, requesting that the Commission authorize an increase in rates and approve certain rules governing the water service provided in an unincorporated area known as Cherokee Strip and located about two miles south of the City of Shafter in Kern County.

Public hearing on applicant's request was held before Examiner James F. Haley at Shafter on June 13, 1961; evidence was adduced and the matter taken under submission.

Description of System

Applicant's water system serves 41 domestic customers in the Cherokee Strip area. The source of water supply is a well 12 inches in diameter and 300 feet deep. Water is pumped from the well through a 4,000-gallon pressure tank into a distribution system consisting of some 2,300 feet of 3-inch asbestos-cement mains. Although applicant has a schedule for general metered service, all customers are served on a flat rate basis.

Earnings Results

Applicant did not prepare a results of operation study, as such; it introduced recorded results for the twelve months ending September 30, 1960, which indicate a net loss for the period of \$1,550. The tabulation below shows the Commission staff's results for the year 1960 on an adjusted basis at present and proposed rates and the results adopted as reasonable for test period purposes at the rates to be authorized herein.

	<u>Staff Results</u>		<u>Adopted</u>
	<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	<u>Results</u> <u>Authorized</u> <u>Rates</u>
Operating Revenues	\$2,140	\$4,830	\$3,400
Deductions:			
Operating Expenses	2,000	2,000	2,000
Taxes Other Than Income	125	125	125
Depreciation Expenses	420	420	420
Income Taxes	--	475	185
Total Operating Expenses	\$2,545	\$3,020	\$2,730
Net Revenues	(405)	1,810	670
Average Depreciated Rate Base	9,535	9,535	9,535
Rate of Return	Loss	19.0%	7.0%

(Loss)

The adopted revenues are based upon a pricing out of 41 customers on a flat rate basis plus revenues from five fire hydrants. The amount adopted for total operating expenses is based on the staff's expense estimates, with income taxes computed at authorized rates.^{1/}

The adopted rate base includes utility plant based upon the Commission staff appraisal of the water system as of December 31, 1954,^{2/}

^{1/} In accordance with Decision No. 59926, dated April 12, 1960, in Case No. 6148, the income taxes allowed were computed on an "as paid" basis, using the straight-line method for determining the depreciation deduction.

^{2/} As adopted in Decision No. 52497, dated January 23, 1956, in Application No. 37340.

plus subsequent net additions. The depreciation reserve reflected in the adopted rate base is also brought forward from the staff appraisal. Depreciation expenses were determined according to the straight-line remaining life method using a composite rate of 4.3%, which depreciation method and rate we find to be appropriate and reasonable for applicant to use in computing book depreciation accruals beginning with the year 1961.

Rate of Return

The evidence shows that applicant is operating at a loss and is entitled to rate relief. The proposed rates would, however, yield an excessive rate of return, and applicant will not be granted the full amount of the requested \$2,690 increase. We find that a gross increase in the annual amount of \$1,260 would yield applicant 7%, 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 to be authorized herein with corresponding rates for the principal types of flat rate service for connections 3/4-inch or less in diameter:

	<u>Rate Per Month</u>			
	<u>Present</u>	<u>Authorized</u>	<u>Increase Amount</u>	<u>Percent</u>
Single dwelling including premises not exceeding 16,000 square feet in area	\$3.50	\$5.40	\$1.90	54.3%
Additional residence unit on same premises served from the same service connection: With inside facilities	2.00	3.10	1.10	55.0
For each 100 sq. ft. of premises over 16,000 sq. ft. and less than 22,000 sq. ft.	.025	.040	.015	60.0
For each 100 sq. ft. of premises in excess of 22,000 sq. ft.	.015	.025	.010	66.7
For each noncirculating type evaporative cooler, June through September	.50	.80	.30	60.0

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

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

Service Problems

A number of users appeared at the hearing, some of whom testified as to service problems. These problems mainly concerned irregular billing and service deficiencies occurring as the result of having no regular maintenance man employed on the system. The owner testified that it was her intent to employ, on a part-time, regular basis, a local woman for billing and collecting and a local man for maintenance. The amount of increase authorized herein allows \$900 per year for these purposes, which we find to be fully adequate, based on the evidence in this record. Applicant will be expected to make these arrangements, and failing to do so, the Commission may reopen these proceedings for reconsideration of the rate levels authorized.

Findings and Conclusions

We have 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

Mabel P. B. Roe 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 October 1, 1961. ✓

2. Applicant, not later than December 31, 1961, shall employ a person, or persons, resident in or nearby the service area, to perform on a regular basis the billing and collecting and the routine maintenance work necessary in the operation of the water system, and shall inform the Commission, in writing, within ten days after this has been done.

3. Applicant shall file in quadruplicate with the Commission on or before December 31, 1961, in conformity with the provisions of General Order No. 96 and in a form acceptable to the Commission, a revised service area map showing definite boundaries, 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. Such tariff service area map, rules and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

4. Applicant shall file with the Commission on or before December 31, 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.

5. Beginning with the year 1961, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 4.3%. 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.

6. Applicant, on or before October 1, 1961, shall institute a program for monthly analysis, by an approved laboratory, of the quality of water furnished to customers. Applicant shall report to this Commission in writing, by October 15, 1961, that this program has been instituted.

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

Dated at San Francisco, California, this 29th day of August, 1961.

Charles W. Rose
 President

John P. Mitchell

S. Lynn Fox

George D. Brown

Fredrick B. Hallock
 Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Cherokee Strip or Tract No. 774, located approximately 2 miles south of the City of Shafter, Kern County.

RATES

Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First	500 cu. ft. or less	\$5.00
Next	1,500 cu. ft., per 100 cu. ft.....	.50
Next	2,000 cu. ft., per 100 cu. ft.....	.45
Next	6,000 cu. ft., per 100 cu. ft.....	.35
Over	10,000 cu. ft., per 100 cu. ft.....	.30

Minimum Charge:

For	5/8 X 3/4-inch meter,	\$5.00
For	3/4-inch meter.....	7.50
For	1-inch meter.....	10.50
For	1 1/2-inch meter.....	21.00

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. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The unincorporated area known as Cherokee Strip or Tract No. 774, located approximately 2 miles south of the City of Shafter, Kern County.

RATES

	<u>Per Service Connection Per Month</u>
For a single-family residential unit, including premises not exceeding 16,000 sq. ft. in area.....	\$ 5.40
a. For each additional residential unit on the same premises and served from the same service connections.....	3.10
b. For each 100 sq. ft. of premises in excess of 16,000 sq. ft. and less than 22,000 sq. ft.....	0.04
c. For each 100 sq. ft. of premises in excess of 22,000 sq. ft.....	0.025
d. For each noncirculating type evaporative cooler, during the 4-month period June through September.....	0.80

SPECIAL CONDITIONS

1. The above residential flat rates apply to service connections not larger than 3/4-inch in diameter.

2. Meters will 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.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated area known as Cherokee Strip or Tract No. 774, located approximately 2 miles south of the City of Shafter, Kern County.

RATE

Per Month

For each hydrant..... \$ 1.50

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 the result of its normal operation of the system.