

63018

ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Logan C. Southfield and Frieda)
Southfield, doing business as Del)
Rey Water Works, for authority to)
increase rates for water service)
in the unincorporated town of)
Del Rey, Fresno County.)

Application No. 43624
(Filed July 24, 1961)

O P I N I O NApplicants' Request

By this application, Logan C. Southfield and Frieda Southfield, doing business as Del Rey Water Works, request authority to increase rates for water service rendered in Fresno County in the unincorporated community of Del Rey, located about fifteen miles southeast of the City of Fresno. Applicants' proposed rates would increase operating revenues from \$6,763 to \$11,912, an amount of \$5,149 or about 76 percent, based upon the 1960 level of business, as shown in the application.

Customer Reaction

In order to determine whether ex parte treatment of this matter would be appropriate, at the request of the Commission a letter concerning the application was sent by applicants to each of their customers. This letter advised the customers of the pendency of the application and presented a comparison of present and proposed rates. Customers desiring to do so were advised to write the Commission. The Commission has received no letters in response to this procedure.

Description of System

Heretofore applicants' source of supply of water has consisted of two drilled wells, 120 feet deep, one equipped with

a 10-horsepower pumping unit and the other with a 20-horsepower unit, supplemented by a storage tank having a capacity of 220 barrels (about 10,000 gallons).

During the year 1961 applicants have installed and placed in operation a third well, drilled to a depth of 250 feet and equipped with a 15-horsepower pumping unit, and another 10,000-gallon storage tank.

The distribution system consists of about 14,000 feet of mains, varying in size from 3/4-inch to five inches in diameter, attached to which are seventeen fire hydrants. At the close of 1960, applicants served approximately 236 customers, of whom eight were metered and the balance supplied at flat rates.

Present and Proposed Rates

This water utility was originally certificated by Decision No. 6022 dated December 26, 1918, in Application No. 4158, at which time the following rates were established:

Meter rates: \$1.35 up to the first 6,000 gallons of water and 13 cents for each additional 1,000 gallons.

Flat rates: \$1.00 per month where there are no water connections outside of building. \$1.35 per month where there are inside connections in building and also outside connections.

In the meantime, revised rate schedules have been filed to provide for service not previously rendered, such as for public fire hydrants and a school. Prior to the instant proceeding, no application was filed for a rate increase, although ownership of the utility has been transferred four times.

The transfer to the applicants herein was authorized by Decision No. 56525 dated April 15, 1958, in Application No. 39870, at which time applicants adopted the rates and rules then on file

with the Commission. Since acquiring the system, applicants have continued to charge their customers, as did their predecessors in interest, at rates which are not in accordance with the filed tariffs. The principal rates presently in use and those proposed by applicants, essentially as set forth in said letter to their customers, are as follows:

	<u>Per Connection Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Flat Rate Service</u>		
Without outside connection	\$ 1.00	\$ 2.75
With outside connection:		
Winter	1.35	3.25
Summer	2.35	3.25
<u>Metered Service</u>		
Quantity Rates:		
First 6,000 gal. or less	1.35	3.25
Next 44,000 gal., per 1,000 gal.	.13	.15
Next 50,000 gal., per 1,000 gal.	.10	.15
Over 100,000 gal., per 1,000 gal.	.075	.10
Minimum Charge:		
For 5/8 x 3/4-inch meter	1.35	3.25
For 1-inch meter	2.35	6.50
For 2-inch meter	10.00	17.00
<u>Fire Hydrant Service</u>		
	<u>Present</u>	<u>Per Month Proposed</u>
For 15 hydrants	\$23.00	\$75.00

Applicants' Position

The application shows that the gross operating revenues for the year 1960 amounted to \$6,763 and expenses totalled \$4,587 (excluding interest of \$674), leaving net utility operating income of \$2,176. Applicants point out that this indicated net income was earned without having allowed any salary for their services, the only allowances being \$848 for rent of a portion of their home as

an office and for use of their personal motor vehicles in the operation of the utility.

At the requested higher rates for water service, applicants estimate the gross annual operating revenues would be \$11,912, based on the same number of customers that were being served on December 31, 1960. To include a fair allowance to themselves for their services and with anticipated higher power and other costs, applicants estimate their annual expenses at \$10,595 (excluding interest of \$580), which would result in net income of \$1,317. When related to the depreciated cost of utility plant shown in the application as \$30,331, which includes \$6,000 for the utility plant installed in 1961, hereinabove described, the rate of return would be 4.3 percent.

Staff Investigation

Following the filing of this application, a field investigation of applicants' public utility water operations was made by a Commission staff engineer, who has now submitted to the Commission his report on the investigation. The report, which includes an analysis of the application, estimated results of operation, a review of applicants' service and operating practices, together with the engineer's recommendations to the Commission, is hereby made a part of this record and designated Exhibit No. 1.

The staff report points out that the amounts delineated in the application are misleading in certain respects. Of major importance is the fact that in their presentation applicants have mistakenly included in their utility plant an acquisition adjustment in the amount of \$14,020. This represents the difference between applicants' purchase price and the utility plant less depreciation reserve, at the time of the transfer to applicants in 1958 as authorized by Decision No. 56525.

Earnings Results

The staff analyzed the operational results of the utility at both present and proposed rates. These analyses indicate that, when there are included in operating expenses reasonable amounts for services of the applicants in the management and operation of the water system, applicants would incur losses for operations at present rates for both the years 1960 and 1961. The following tabulation shows applicants' presentation as actually experienced for the year 1960 and estimated for the year 1961 at the proposed rates, compared with the staff's estimate for the year 1961 at the rates proposed by applicants:

Comparative Summary of Earnings

Item	By Applicants		CPUC Staff:
	Actual : 1960 : Rates as : Charged:	Estimated : 1961 : Proposed : Rates :	Estimated : 1961 : Proposed : Rates :
Operating Revenues	<u>\$6,763</u>	<u>\$11,912</u>	<u>\$13,350</u>
Deductions:			
Operating Expenses	\$3,947	\$ 9,510	\$ 6,570
Depreciation	322	625	905
Taxes Other Than Income	318	460	480
Income Taxes	-	-	1,265
	<u>\$4,587</u>	<u>\$10,595</u>	<u>\$ 9,220</u>
Net Revenue	\$2,176	\$ 1,317	\$ 4,130
Depreciated Rate Base	-	\$16,311 ^a	\$17,645
Rate of Return	-	8.1%	23.4%
a. Includes utility plant, Dec. 31, 1960		\$22,312	
Less depreciation reserve, Dec. 31, 1960		<u>12,001</u>	
		\$10,311	
Plus plant additions in 1961		<u>6,000</u>	
Total		\$16,311	

In the foregoing tabulation, the staff's estimate of operating revenues is based on the number of customers in 1960, including a growth of ten water customers during 1961. Operating

expenses of \$6,570 include an amount of \$3,600 for labor used in operations, maintenance, customer accounting and collecting and general supervision; \$1,300 for electric power; \$600 for car expenses; and \$1,070 for materials, rent, insurance, prorated cost of rate proceeding, water testing, and uncollectibles. Depreciation expense was computed on the straight-line remaining life method, and reflects plant additions during 1961. Income taxes were computed on the basis of a joint return, with the same amount of depreciation expense. The staff's rate base includes utility plant as of December 31, 1960, plus allowances for plant betterments, additional meters, and normal growth in 1961; also working cash, materials and supplies; and less the depreciation reserve adjusted to reflect depreciation on plant additions in 1961.

Based on a review of the data contained in the application and an analysis of the staff's estimates contained in Exhibit No. 1, we find that the staff's estimates of operating revenues, depreciation, taxes other than income, and the depreciated rate base are reasonable and they will be adopted for the purposes herein. However, it appears that the staff's estimate of operating expenses is low. As the basis for testing the reasonableness of the rates proposed by applicants and of the rates to be authorized herein, we hereby find the amount of \$6,920 to be fair and reasonable for operating expenses for the test year 1961.

We find that, while applicants would incur an operating loss for the test year 1961 at present rates, they would earn an excessive rate of return on their public utility water operations at their proposed rates. The rates to be authorized herein will result in gross operating revenues of \$10,600, an increase of approximately \$3,550 or 50½ percent over those obtainable at the rates now being

charged. On the test year basis, the authorized rates will yield applicants for return on rate base and income taxes a total of \$2,295, which amount we find to be fair and reasonable for such purposes.

Rate Schedules

Applicants are now charging for metered service at rates stated in units of 1,000 gallons, and all of applicants' meters, installed and in stock, register deliveries of water in gallons. In line with a continuing policy to achieve as much uniformity as possible in the form of rate schedules as set forth in General Order No. 96 and for convenience of comparison, the schedule of rates for metered service hereinafter authorized will be stated in units of 100 cubic feet.

While applicants will not be required by the order herein to convert the dials of their existing meters from readings in gallons to cubic feet, it is recommended that applicants make such conversions at least whenever replacements and repairs to their existing meters make such conversion feasible. All new meters, when installed, shall register deliveries in cubic feet.

For as long as there may be any customers' meters registering consumption in gallons, applicants will be required to have posted in their office, for the convenience of all customers, a table illustrating the conversion of meter readings in gallons to billing quantities in cubic feet, together with appropriate charges therefor.

Although there is a meter installed on the service to the school, applicants have been charging for service to the school at the filed flat rate of \$10 per month, instead of rendering bills on the basis of consumption of water as registered by the meter. Also,

applicant has been charging for service to a labor camp at a flat rate which is not included as part of its regularly filed tariffs; this service should be metered and charges therefor made at meter rates.

In brief, all water service by applicants other than for residential purposes should be rendered on a metered basis. Accordingly, the schedule of rates for flat rate service hereinafter authorized will be made applicable to residential use only. The rates will be stated in a more conventional form than as previously filed, in order that charges may be made on a more nearly equitable basis for the average relative quantities of water delivered, taking into consideration the additional use of water for irrigation purposes during the summer months.

Applicants indicate that present and proposed charges for fire protection service are on the basis of fifteen hydrants, although there are seventeen hydrants installed. Applicants should charge for service to all hydrants used by the fire protection authority and remove any hydrants not so utilized.

Applicants are put on notice that hereafter all charges for water service must be made only at the appropriate authorized and filed rates.

Operating Practices

Exhibit No. 1 states that applicants do not have a water supply permit and that samples of applicants' water supplies are taken infrequently and not on a regularly scheduled basis, as required by General Order No. 103. The adopted operating expenses include an amount for the regular testing of water, and the order herein will require such testing. Applicants will also be ordered to apply to the appropriate public health agency for a water supply permit.

The evidence shows applicants do not maintain a record of customer complaints and the dispositions made thereof, as required by General Order No. 103. Applicants will be required to establish and maintain such a record.

Other staff recommendations pertaining to the filing of tariffs and maps and to depreciation practices will be incorporated in the order herein.

Findings and Conclusions

We have considered the application and we find that a public hearing is not required; that the action we are taking herein will produce an over-all result which will be fair and reasonable; 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

Logan C. Southfield and Frieda Southfield, doing business as Del Rey Water Works, having applied to this Commission for an order authorizing increased rates and charges for water service, and the Commission basing its decision upon the evidence of record,

IT IS ORDERED that:

1. Applicants are authorized to file in quadruplicate with the Commission after the effective date of this order, in conformity with General Order No. 96, the schedules of rates set forth in Appendix A attached hereto and, upon not less than five days' notice to the Commission and to the public, to make said rates effective for all service rendered on and after February 1, 1962.

2. Within forty-five days after the effective date of this order, applicants shall file in quadruplicate with the Commission, in conformity with the provisions of General Order No. 96 and in a manner acceptable to the Commission, a revised tariff service area

map, rules governing customer relations revised to reflect present-day operating practices, and current sample copies of printed forms that are normally used in connection with customers' services. Such tariff service area map, rules 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, applicants shall file four copies of a comprehensive map, drawn to an indicated scale not smaller than 400 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, and until review indicates the rate should be revised, applicants shall determine depreciation accruals by multiplying depreciable utility plant by a rate of 3.2 percent. Whenever substantial changes in plant composition occur and at intervals of not more than five years, applicants shall review the depreciation rate, using the straight-line remaining life method, and shall revise such rate accordingly. Results of the reviews shall be submitted to the Commission.

5. On or before February 1, 1962, applicants shall establish a record of informal complaints and the disposition thereof, pursuant to the provisions of General Order No. 103. Within ten days thereafter, applicants shall inform the Commission in writing that such record has been established.

6. On or before February 1, 1962, applicants shall apply to the appropriate public health agency for a water supply permit and shall inform the Commission, in writing, of such application within ten days thereafter.

7. On or before February 1, 1962, applicants shall institute a program for monthly analysis, by an approved laboratory, of the sanitary quality of the water furnished to the customers. Within ten days thereafter, applicants shall report, in writing, to the Commission that such program has been instituted.

8. On or before February 1, 1962, and continuously thereafter as long as there are any customers' meters registering consumption in gallons, applicants shall have posted in their office and open to public inspection, a table illustrating the conversion of meter readings for each thousand gallons, up to 50,000, to billing quantities in cubic feet, together with the appropriate charges therefor. Within ten days after such posting, applicants shall file two copies of such table with this Commission.

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

Dated at San Francisco, California, this 9th day of JANUARY, 1962.

Walter W. Page
 President

Peter E. Mitchell

D. L. Fox

George L. Hoover

Frederick B. Hohlhoff
 Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The community of Del Rey, and vicinity, located approximately 15 miles southeast of Fresno, Fresno County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 800 cu.ft. or less.	\$ 2.25
Next 5,500 cu.ft., per 100 cu.ft.17
Next 6,700 cu.ft., per 100 cu.ft.14
Over 13,000 cu.ft., per 100 cu.ft.11

Minimum Charge:

For 5/8 x 3/4-inch meter.	\$ 2.25
For 3/4-inch meter.	3.00
For 1-inch meter.	5.00
For 1 1/2-inch meter.	9.00
For 2-inch meter.	14.00
For 3-inch meter.	23.00
For 4-inch meter.	35.00

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 community of Del Rey, and vicinity, located approximately 15 miles southeast of Fresno, Fresno County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For a single-family residential unit including irrigation of an area not exceeding 1,000 sq.ft.	\$2.50
a. For each additional residential unit on the same premises served from the same service connection	2.00
b. For each 100 sq.ft. or fraction thereof, of irrigated area in excess of 1,000 sq.ft. during the six-month period, May through October05

SPECIAL CONDITIONS

1. The above residential flat rates 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 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 community of Del Rey, and vicinity, located approximately 15 miles southeast of Fresno, Fresno County.

RATE

Per Month

For each hydrant \$2.25

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.