

ORIGINALDecision No. 63113

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MRS. BRUCE R. PURVIANCE, dba LINDEN)
 WATER SERVICE for authority to)
 increase rates for water service.)

Application No. 43145

John C. Luthin, for applicant.
Walter James McInnis, Deputy County Counsel, for
 Linden-Peters Rural County Fire Protection
 District, protestant.
Verner R. Muth, for the Commission staff.

O P I N I O N

Mrs. Bruce Purviance, doing business as Linden Water Service, seeks authority to increase her rates for water service.

A duly noticed public hearing was held in this matter before Examiner Donald B. Jarvis at Stockton on September 6, 1961.

The water service furnished by Mrs. Purviance is the only public utility water service in Linden which is located in San Joaquin County. The record indicates that during World War II there was a drop in the general water table in the Linden area. In addition, certain materials, particularly well casings, were difficult to obtain. A water shortage occurred in the area. The Purviance family had on their property a well capable of producing more water than was needed for their own personal use. They permitted several of their neighbors to connect pipelines to the well supply and furnished water to them as a matter of accommodation. The accommodation service was originally intended to be temporary. As time went on more customers were added. The Purviance family installed distribution mains to replace the individual customer

pipelines and assumed the responsibility of furnishing water service on a permanent basis. Recognizing the change in character of the service being rendered, Mrs. Purviance filed Application No. 42126 (Amended) which sought a certificate of public convenience and necessity for the water system. The Commission granted the certificate in Decision No. 61953 on May 9, 1961. Decision No. 61953, with one minor modification, authorized Mrs. Purviance to apply the water rates she was then presently charging.

Mrs. Purviance is a widow. She is a partner in a well drilling business known as Purviance Drillers. Her son, daughter and nephew help her conduct the operations of the water service and well drilling business from a common office.

The water system here under consideration obtains its water from three wells, each of which is equipped with a deep well turbine pump. Two of the wells have electrically driven pumps which discharge into hydropneumatic tanks and then into the distribution system. The other well has a gasoline engine driven pump which delivers water directly into the system. There is a question as to whether one of the electric pumps is presently operative. The distribution mains are steel pipelines ranging in size from 2-inches to 10-inches in diameter. Fire hydrants have been installed throughout the system. There are 34 hydrants of the wharf type having risers ranging in size from 2½-inches to 6-inches. None of the hydrants are on 2-inch mains. In December of 1960 the water system had approximately 175 service connections, although not all of the customers were being charged. In July of 1961, Mrs. Purviance billed 146 customers. Applicant's engineer testified that there were 177 premises to which flat rates could, and should, be applied, and 12 services for which meters are proposed.

Mrs. Purviance is presently authorized to charge the following rates:

GENERAL FLAT RATES

<u>Unit</u>	<u>Per Month</u>
Single family residence on less than 10,000 sq.ft. lot	\$ 4.00
Single family residence on larger than 10,000 sq.ft. lot	5.00
Single family residence on larger than 10,000 sq.ft. lot	5.33
Residence and doctor's office	6.00
Residence and business	6.66
Residence and service station	6.00
Cabins	2.00
Apartments	2.00
Apartment and shop	4.00
Residence and cleaning establishment	6.00
Garage	4.00
Service station	4.00
Cafe	2.00
Beauty shop	2.00
Bank	5.00
Trucking company	2.00
Group of stores and apartments	13.33
California Packing Corp.	2.00
Chemical company	4.00
Linden Walnut Association	13.33
Elementary school	15.00
Cemetery	4.00
Linden Fraternal Association	6.66
Linden-Peters Fire District	5.33
Lions Club	4.00
Stockton District Kidney Bean Growers	6.66
Weeks Welding	4.00

She seeks herein authority to establish the following rates:

GENERAL METERED RATES

Monthly Quantity Charges:	<u>Per Meter</u> <u>Per Month</u>
First 700 cubic feet or less.	\$ 4.50
Next 1,400 cubic feet per 100 cubic feet30
Next 3,000 cubic feet per 100 cubic feet25
Over 5,000 cubic feet per 100 cubic feet20
 Monthly Minimum Charge:	
5/8 x 3/4-inch meter	\$ 4.50
3/4-inch meter	6.00
1-inch meter	10.00
1½-inch meter	15.00
2-inch meter	20.00
3-inch meter	35.00
4-inch meter	50.00

GENERAL FLAT RATES

<u>Unit</u>	<u>Charge Per Month</u>
Single family residence on lot of less than 10,000 square feet	\$ 7.75
Single family residence on lot larger than 10,000 square feet	10.00
Apartments, trailers and cabins, each	3.75
Offices, service stations, garages, shops, business establishments, cafes, clubs and small plants	8.00
Schools	25.00
Linden Walnut Association	25.00
Stockton-District Kidney Bean Growers	12.50
Linden-Peters Fire District	15.00

PRIVATE FIRE PROTECTION

	<u>Per Month</u>
Private fire protection per inch diameter of service. .	\$ 2.00

PUBLIC FIRE PROTECTION

	<u>Per Month</u>
6-inch riser, double outlet hydrant	\$ 3.00
6-inch riser, single outlet hydrant	2.50
5-inch riser, single outlet hydrant	2.50
4-inch riser, single outlet hydrant	2.00
3½-inch riser, single outlet hydrant.	1.50
3-inch riser, single outlet hydrant	1.50
2½-inch riser, single outlet hydrant.	1.50

Mrs. Purviance contends that the proposed rates would give her a 7 percent rate of return. The Commission staff contends that these rates would give a 10.9 percent rate of return.

Some of Mrs. Purviance's customers were present at the hearing. A representative of the Linden-Peters Chamber of Commerce testified that a reasonable rate increase was warranted, but that the service furnished by Mrs. Purviance should be improved. The Chief of the Linden-Peters Rural County Fire Protection District testified that he considered the water pressure and flow at the hydrants inadequate, and that the district would be willing to pay the requested rates if the deficiencies were corrected.

Prior to this proceeding, no inventory and appraisal had ever been made of the utility plant. An inventory and appraisal was prepared for Mrs. Purviance by a firm of consulting engineers and received in evidence. The Commission staff reviewed the inventory and appraisal and was in substantial agreement with it.

The staff contends that all overhead items in the inventory and appraisal should be excluded in arriving at the historical cost of the system, because all the items were provided by Purviance Drillers and overhead would be included in the unit costs charged to the water service.

The Commission agrees with the staff's position on this point. The Commission finds that all of the items in the inventory and appraisal were provided by Purviance Drillers and that overhead should not be allowed for any of the items.

The staff also challenges the figures in the inventory and appraisal for the cost of services and hydrants. The Commission finds that the staff's figure for services is correct and that the figures for hydrants in the inventory and appraisal are correct.

The Commission finds the historical cost of the system, as of June 30, 1960, to be as follows:

Acct. No.	Inventory & Appraisal	Material	Labor	Deprec. Reserve	Net Utility Plant
315 Wells	\$ 7,685	\$ 4,060	\$ 3,625	\$ 1,161	\$ 6,524
321 Structures	744	744	-	42	702
324 Pumping Equip.	8,104	8,079	25	2,806	5,298
342 Tanks	1,572	1,472	100	320	1,252
343 Mains	30,346	20,205	10,141	4,965	25,381
345 Services	2,603	321	1,782	1,053	1,550
348 Hydrants	4,395	1,327	3,008	690	3,705
Total	\$55,449	\$36,768	\$18,681	\$11,037	\$44,412

There is conflicting testimony in the record as to whether the pump at Well No. 1 is presently operative. The Commission finds that the pump at Well No. 1 is inoperative; that this situation at

times causes low pressure in the system; and that Mrs. Purviance should be ordered to install a new 30 hp. pump at Well No. 1.

The record discloses that the land upon which the wells and pumps of the water system are located is not shown as utility property in the public records, although this is reflected in Mrs. Purviance's utility records. The Commission will require that appropriate deeds be recorded indicating the public utility character of the water system.

The question of public fire protection rates has been carefully considered. The Linden-Peters Rural Fire Protection District has expressed dissatisfaction with the location of hydrants and the pressure of water supplied at the hydrants. Mrs. Purviance is under no legal obligation to relocate or install new hydrants at her expense. Rule 2-B of her tariff provides:

"The utility will maintain normal operating pressures of not less than 25 pounds per square inch nor more than 125 pounds per square inch at the service connection, except that during periods of hourly maximum demand the pressure at the time of peak seasonal loads may be not less than 20 pounds per square inch and that during periods of hourly minimum demand the pressure may be not more than 150 pounds per square inch. Variations in pressure under normal operation will not exceed 50% of the average operating pressure. (The average operating pressure will be determined by computing the arithmetical average of at least 24 consecutive hourly pressure readings.)"

The record indicates that when the 30 hp. pump is installed at Well No. 1, the pressure requirements will be complied with, if they are not presently being met. If Mrs. Purviance fails to meet the pressure requirements, any water user can bring this situation to the Commission's attention in an appropriate proceeding. However, the character of the service furnished under fire protection rates has been taken into account in the rates hereinafter authorized.

Part of Mrs. Purviance's water system was constructed prior to the adoption of General Order No. 103 which became effective on July 1, 1956. The staff contends that since Mrs. Purviance was granted her certificate of public convenience and necessity after General Order No. 103 went into effect, all of the system must conform to the standards of construction established in the General Order. The staff further contends that Mrs. Purviance should be ordered to embark on a program of spending \$1,500 per year to revamp portions of the system constructed before General Order No. 103 became effective so that they will meet the standards required by the General Order. These contentions are not correct.

General Order No. 103 provides in part as follows:

"Nothing contained in any of the rules herein promulgated shall be construed to require the replacement or abandonment prior to the expiration of economic utilization of facilities in use at the time of adoption of these rules unless the Commission, after hearing, shall enter an order directing the abandonment or replacement of particular facilities found to be inadequate for the rendition of proper public utility service."

The staff and Mrs. Purviance produced figures indicating that the average annual depreciation of the utility plant is 3.3 percent. The Commission finds that commencing with the year 1960, Mrs. Purviance should determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.3 percent.

The staff and Mrs. Purviance introduced evidence relating to estimated operating expenses for 1961. The Commission finds

that the estimated operating expenses which should be used with respect to the rates to be authorized herein are as follows:

Estimated Operating Expenses - 1961

Labor	\$ 3,660
Power	1,960
Engineering and P.U.C. Expense	1,000
Rent	540
Other	2,320
Total Operating Expenses	<u>\$ 9,480</u>
Depreciation	1,920
Taxes Other Than Income	1,030
Income Taxes	1,008
Total Income Deductions	<u>\$13,438</u>

Mrs. Purviance and the staff differ with respect to the rate to be used for calculating income tax estimates. Mrs. Purviance seeks to apply a corporate rate whereas the staff contends for a personal rate. The Commission finds that a personal rate should be used for the computation of income taxes in this instance.

The Commission finds that the following rate base reasonably represents Mrs. Purviance's operations for the near future and it is adopted for the purposes of this proceeding:

Average Utility Plant	\$55,449
Average Normal Additions	1,799
Total Average Utility Plant	<u>\$57,248</u>
Working Cash	770
Material and Supplies	600
Replacement of pumping unit required herein	3,800
	<u>\$62,418</u>
Less:	
Average Reserve for Depreciation	12,050
Average Advances	1,000
Rate Base	<u>\$49,368</u>

The Commission further finds that, under the conditions found to exist in the present proceeding, Mrs. Purviance is entitled to a rate of return of 6.7 percent upon an estimated rate base of \$49,368, and that a rate schedule should be established to yield such rate of return taking into consideration taxes and the estimated expenses heretofore found to be reasonable.

The estimated operating results for the purposes of this decision are as follows:

Operating Revenues	\$16,750
Total Operating Expenses	13,438
Net Income	\$ 3,312
Rate Base	\$49,368
Rate of Return	6.7%

The Commission also finds that the increases in rates and charges authorized by this decision are justified, the rates and charges set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered, and 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

A public hearing having been held and based upon the evidence therein adduced,

IT IS ORDERED that:

1. Applicant enter in her plant account records the historical cost of utility plant as of June 30, 1960, and set up for utility accounting purposes the depreciation reserve as of June 30, 1960, as found by the Commission in this decision.

2. Beginning with the year 1960, applicant 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 by using the rate of 3.3 percent. This rate shall be used until a review indicates that it should be revised. Applicant shall review the depreciation rate 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.

3. Within sixty days after the effective date of this order, applicant shall install an operative 30 hp. pump and motor at Well No. 1 in her water system and within ten days thereafter notify the Commission in writing when the installation was accomplished.

4. Within sixty days after the effective date of this order applicant shall take steps to record upon the public record the fact that the portions of land upon which her wells and pumps are located are dedicated to public utility purposes and within ten days thereafter notify the Commission when this was accomplished.

5. Applicant is 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 February 1, 1962.

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

Dated at San Francisco, California, this 16th day of JANUARY, 1962.

Arvid A. Page
President

[Signature]

George T. Dwyer

Fredrick B. Holoboff
Commissioners

Appendix A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Linden, and vicinity, San Joaquin County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 700 cu.ft. or less	\$ 4.50
Next 1,400 cu.ft., per 100 cu.ft.30
Next 3,000 cu.ft., per 100 cu.ft.25
Over 5,000 cu.ft., per 100 cu.ft.20
Minimum Charge:	
For 5/8 x 3/4-inch meter.	\$ 4.50
For 3/4-inch meter.	6.00
For 1-inch meter.	10.00
For 1 1/2-inch meter.	15.00
For 2-inch meter.	20.00
For 3-inch meter.	35.00
For 4-inch meter.	50.00

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

APPENDIX A
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Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Linden, and vicinity, San Joaquin County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
1. For a single-family residential unit, including premises not exceeding 10,000 sq.ft. in area . . .	\$ 6.00
a. For each 100 sq.ft. of premises in excess of 10,000 sq.ft.03
2. For each apartment, trailer, or cabin	3.75
3. For each office, service station, garage, shop, business establishment, cafe, club, or small industrial concern	7.50

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.

2. A meter 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. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Linden, and vicinity, San Joaquin County.

RATES

	<u>Per Month</u>
For each 4-inch service connection	\$ 8.00
For each 6-inch service connection	12.00
For each 8-inch service connection	16.00
For each 10-inch service connection	20.00

SPECIAL CONDITIONS

1. The fire protection service pipe will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
3. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water.

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Contd.)

4. For water delivered for other than fire protection purposes, charges will be made therefor under Schedule No. 1, General Metered Service.

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

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

Linden, and vicinity, San Joaquin County.

RATES

Hydrant Served From:	<u>Per Hydrant Per Month</u>	
	<u>Single Outlet Hydrant</u>	<u>Double Outlet Hydrant</u>
3½-inch main or smaller	\$1.50	-
4-inch main.	2.00	-
5-inch main.	2.50	-
6-inch main or larger.	2.50	\$3.00

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. Fire hydrants will be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization must designate the type and size of hydrant and the specific location at which each is to be installed.
5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.