

ORIGINALDecision No. 63468

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 YUCCA WATER CO., LTD., a California
 corporation for authority to increase
 its rates for metered water service,
 and for authorization of rates for
 unmetered water service, public fire
 protection service, and bulk water
 service.

Application No. 43286
 (Filed March 31, 1961)

John E. Sisson, for applicant.
Richard Battle, for American Legion Community
 Betterment Committee, and Otis L. Scheibeler,
 protestants.
David F. LaHue, for the Commission staff.

O P I N I O N

By this application, Yucca Water Co., Ltd., a corporation, seeks authority to increase its presently filed rates for general metered service and authorization to charge for other types of service at rates not previously filed with or authorized by this Commission.

Public Hearing

A duly noticed public hearing was held in this matter before Examiner E. Ronald Foster at Yucca Valley on September 13 and 14, 1961. On the latter date the matter was submitted subject to the filing of briefs by applicant and by protestants, the last of which was filed on October 31, 1961. Submission was also made subject to the receipt of a late-filed exhibit from applicant; said exhibit (No. 10) was filed on January 16, 1962, and the matter is now ready for decision.

Applicant's Request

Applicant's water system supplies some 300 customers in the community of Yucca Village, and vicinity, located in Yucca Valley in San Bernardino County, on both sides of Twenty-Nine Palms Highway, approximately twenty miles northeasterly of its junction with U. S. Highway 99. Applicant seeks to increase its gross annual operating revenues by about \$25,000 based upon the level of business for the estimated year 1961, which amount would represent an increase of about 77 percent over the revenues obtainable from the rates now being charged.

History of Utility and Its Operations

The original certificate of public convenience and necessity pertaining to this utility was granted by Decision No. 39919, dated January 28, 1947, in Application No. 27592, to a co-partnership of ten men engaged in real estate development. As authorized by Decision No. 40221, dated April 29, 1947, in Application No. 28349, the utility was later transferred to Theodore W. Jurling. He caused the formation of applicant herein, Yucca Water Co., Ltd., which has acquired the water system and the aforesaid certificate under authority of Decision No. 41538, dated May 4, 1948, in Applications No. 29057 and No. 29204.

Applicant has issued, and there is outstanding, common stock of a par value of \$60,000. One third of this is owned by applicant's president, Theodore W. Jurling, and another third by its secretary, Fred A. Storey. The remaining one third of the stock was owned by one Al Anderson but appears to be involved in litigation. All of the above-mentioned stockholders have been active as real estate developers, subdividers and landholders within applicant's service area.

The growth of the system has resulted principally from the development of subdivisions in the area. Contributions in aid of construction, amounting to \$34,816, were made largely by the original co-partnership. At the end of the year 1960, advances for construction were recorded at \$35,343; no formal agreements have been prepared describing the terms for refunding such advances, nor have any refunds ever been paid. The two officer-stockholders mentioned above have constructed extensions of utility plant with their own funds and have donated the same to applicant as contributions to capital surplus, shown at \$102,275 as of December 31, 1960. The total water utility plant as shown on applicant's books on the same date was \$315,699, with a reserve for depreciation of \$71,221, leaving \$244,478 representing the depreciated original cost of utility plant.

Applicant conducts its business from the home of its president, Jurling, in Los Angeles and from the office of its secretary, Storey, in Santa Ana. Customer accounting and collecting is handled on a contract basis, and meter reading, maintenance and operation of the system are performed by other personnel residing in Yucca Village.

Jurling is employed as chief engineer of a pump manufacturing company in Los Angeles and makes infrequent trips to Yucca Valley as necessary to function as applicant's general manager, purchasing agent and engineer; in addition to his duties as president, he maintains the corporate accounts for applicant. Storey is often in Yucca Valley, particularly on week ends, in connection with his real estate and subdivision activities, and while there he exercises some supervision over applicant's local personnel and takes care of such matters as customers' complaints.

Service Area and Description of System

Applicant's service area is about two and one-half miles long, measured along Twenty-Nine Palms Highway, and approximately one and three-quarters miles wide, extending from the base of the mountains on the north side of the valley into the foothills on the south side. With Yucca Village at its center, the area is a relatively sparsely settled community of homes located in the surrounding partially developed subdivisions.

The map introduced as Exhibit No. 2 shows the principal features of the existing water system. The water supply consists of Wells Nos. 1, 2 and 3, drilled in 1931, 1947 and 1960, respectively, which are equipped with electrically driven pumping units. Water from the wells is pumped directly into the distribution system, the excess being delivered into a 125,000-gallon tank, designated as Reservoir No. 1, which is located in the southerly portion of the service area and serves as the supply for, and also to maintain normal pressure for, the lower elevations in the valley.

Electrically driven booster pumps located at Reservoir No. 1 elevate water into a 210,000-gallon tank, designated as Reservoir No. 2, located higher on the hillside to the south. This tank serves as the supply for the higher elevations in the southern portion of the service area. Valves are located at appropriate points on the interconnected distribution system to create the two pressure zones.

In 1961, an auxiliary pump with hydropneumatic tank was installed to improve the pressure to some of the homes in one of the Storey subdivisions located in the southeast portion of the service area.

The application states that at December 31, 1960, the transmission and distribution system consisted of approximately 40 miles of steel pipelines, varying in size from 2½ to 3 inches in diameter. As of the same date there were 774 customers being served, of whom 744 were metered and 30 were being supplied at flat rates. On the basis of these figures, there is an average of about 270 feet of water mains per customer.

Customer Participation

A goodly number of applicant's customers attended the hearing, five of whom testified in opposition to the proposed increase in rates. One witness represented a local community betterment committee which had actively investigated the causes of service complaints. He made several recommendations for improving the service being rendered and asked that the Commission require that applicant make certain installations and improvements in its operating practices as a condition accompanying any increase in rates. In particular he pointed to the accumulation of sand in the system, which had caused various difficulties, including inoperative valves on the system.

Another witness presented a petition containing 62 signatures representing approximately 40 customers, located at various parts of the area, complaining of no water at times, dirty water and extremely low pressure. This witness stressed lack of supervision over the operation of the system, which results in inadequacies in the quantity and quality of the water furnished to the customers.

Present and Proposed Rates

Applicant's only rate schedule now on file with the Commission is that for general metered service, which was authorized

when the water system was first certificated by Decision No. 39919, dated January 26, 1947, in Application No. 27592, and is as follows:

PRESENT RATES

General Metered Service

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First 500 cu.ft. or less		\$ 2.00
Next 500 cu.ft., per 100 cu.ft. . . . .		.25
Next 4,000 cu.ft., per 100 cu.ft. . . . .		.20
Over 5,000 cu.ft., per 100 cu.ft. . . . .		.15

Minimum Charge:

For 5/8 x 3/4-inch meter.	\$ 2.00
For 3/4-inch meter.	2.50
For 1-inch meter.	3.00
For 1 1/2-inch meter.	4.00
For 2-inch meter.	5.00

Applicant requests that the following schedule for such service be authorized:

PROPOSED RATES

General Metered Service

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First 600 cu.ft. or less		\$ 4.00
Next 700 cu.ft., per 100 cu.ft. . . . .		.45
Next 1,000 cu.ft., per 100 cu.ft. . . . .		.40
Next 2,500 cu.ft., per 100 cu.ft. . . . .		.35
Over 5,000 cu.ft., per 100 cu.ft. . . . .		.30

Minimum Charge:

For 5/8 x 3/4-inch meter.	\$ 4.00
For 3/4-inch meter.	6.00
For 1-inch meter.	9.00
For 1 1/2-inch meter.	15.00
For 2-inch meter.	25.00
For 3-inch meter.	40.00
For 4-inch meter.	65.00

Since about 1950, applicant has also been furnishing some general service on an unmetered basis. Through some inadvertence, no rate schedule for this service was ever filed with the Commission.

The following tabulation shows the rates presently being charged and the rates proposed to be charged for such service:

General Unmetered Service

Rates:	Per Service Connection Per Month	
	<u>Present</u>	<u>Proposed</u>
For each 3/4-inch connection..	\$ 2.00	\$ 4.00
For each 1-inch connection .	3.00	6.00

Also, for some time applicant has been furnishing public fire protection service and bulk water service at rates which have not been authorized by or filed with the Commission. Applicant requests authority to continue to charge the same rates for such service, which are as follows:

Public Fire Protection Service

Rates:

<u>Size of Hydrant</u>	<u>Size of Riser</u>	<u>Size of Main</u>	<u>Per Hydrant Per Month</u>
2 1/2" x 2 1/2"	2 1/2"	2 3/4" - 3 1/2"	\$ 0.50
2 1/2" x 2 1/2"	2 1/2"	4" or larger	.75
4" x 2 1/2"	4"	4" or larger	1.00

Bulk Water Service

Quantity Rate:	<u>Each Delivery</u>
Per 100 gallons, or less	\$ 0.10
Minimum Charge.	1.00

Summary of Results of Operation

For its showing at the hearing in this matter, applicant relied primarily on Exhibit E attached to the application which was prepared by a professional water utility consultant as of March 31, 1961. It consists of a detailed report on the results of applicant's operations for the year 1960 recorded, and for the two test years

1960 adjusted and 1961 estimated, both at the rates presently being charged and at applicant's proposed rates. The same report, as revised for advances for construction, was presented in evidence at the hearing as Exhibit No. 1.

A similar report, in less detail, was prepared by the Commission staff and received in evidence as Exhibit No. 8.

The following tabulations provide a comparison of the two showings:

SUMMARY OF EARNINGS

Under Existing Water Rates

<u>ITEM</u>	<u>1960 Adjusted</u>		<u>1961 Estimated</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$30,020	\$35,300	\$32,326	\$38,400
<u>Deductions</u>				
Operating Expenses	24,170	21,670	26,325	23,360
Depreciation	7,147	6,630	8,143	6,870
Taxes Other Than				
Income	1,930	1,630	2,004	1,750
Income Taxes	<u>100</u>	<u>1,800</u>	<u>100</u>	<u>2,010</u>
Total Deductions	33,347	31,780	36,572	34,490
Net Revenue	(3,327)	3,520	(3,746)	3,910
Rate Base (depreciated)	165,860	130,000	195,410	181,000
Rate of Return	Nil	2.0%	Nil	2.2%

(Red Figure)

SUMMARY OF EARNINGSUnder Water Rates Proposed by Applicant

<u>ITEM</u>	<u>1960 Adjusted</u>		<u>1961 Estimated</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$53,189	\$62,400	\$53,106	\$68,000
<u>Deductions</u>				
Operating Expenses	24,280	21,670	26,450	23,860
Depreciation	7,147	6,630	8,143	6,870
Taxes Other Than				
Income	1,930	1,630	2,004	1,750
Income Taxes	<u>6,713</u>	<u>12,210</u>	<u>7,281</u>	<u>14,330</u>
Total Deductions	40,070	42,190	43,878	46,810
Net Revenue	13,119	20,210	14,228	21,190
Rate Base	165,860	130,000	195,410	181,000
(depreciated)				
Rate of Return	7.9%	11.2%	7.3%	11.7%

The considerable variation between the two showings is due to several factors which will be discussed under appropriate headings. In general, applicant's showing represents a conventional projection of adjusted and estimated results for the two test years, based on recorded figures for prior years and particularly the year 1960. On the other hand, the staff's showing is on a pro forma basis for the same two test years, with special consideration having been given toward effecting economies in the operation and supervision of the system, eliminating the past deficiencies which have been the cause for complaint by the consumers and installing certain facilities recommended as necessary to provide a reasonable standard of water service for the community.

Saturation Adjustment

From its investigation, the staff found an adjustment for overbuilt plant to be appropriate. The staff's position is that the present customers, numbering approximately 300, should not be required to provide a return on the investment in distribution

facilities, excluding donated plant, which have been installed to serve some 2,800 potential customers. Allowing for growth, a saturation factor of 0.36 was obtained by dividing the estimated near-future number of 1,000 customers by the total capacity of 2,800 customers. The staff applied this factor to the distribution main plant account and to the related items of ad valorem taxes, depreciation expense and depreciation reserve. The effect of the saturation adjustment is very important and is most apparent in the staff's determination of the rate bases.

Operating Revenues

An examination of the foregoing tabulations reveals that in both showings, the effect of adding an estimated number of 77 customers per year would increase the revenues in the test year of 1961 about nine percent over those for the test year 1960, and also that the application of the proposed rates would increase operating revenues approximately 77 percent over those obtainable at the rates presently being charged.

Applicant's consultant based his estimates of revenues from metered sales (which are about 94 or 95 percent of total operating revenues) on his analysis of recorded customer consumption for the 12-month period from October 1, 1959 to September 30, 1960. Under cross-examination he admitted that he had not taken into consideration the effect on average usage resulting from any completely blocked or partially retarded meters caused by the prevalence of sand in the system.

Based on a detailed inspection of the meter reader's books and an analysis of all other available data and information, the staff engineer estimated the potential total revenues, from the actual usage by customers in the various classifications of service,

at amounts which are about 17 percent greater than applicant's estimates. Among the factors considered by the engineer in arriving at his determination of revenues are the following:

- a. Damaged and sand-blocked meters. A considerable increase in revenues would result from billings reflecting the actual water usage by a large percentage of customers on whose service connections the meters were observed to be recording little or no consumption.
- b. Slow-moving and under-registering meters. A further increase in revenues could be obtained from greater recorded usage through meters partially retarded by sand and others registering less than actual consumption due to worn parts.
- c. Metering of flat rate customers. Analysis of the flat rates being charged and as proposed indicates they are not comparable with charges at corresponding meter rates for similar usage of water.
- d. Customers receiving free water service. Additional revenues are obtainable from a number of customers presently not being charged for service to their premises.

To the end of obtaining such increased revenues, the staff engineer recommended, among other items, the installation of facilities to eliminate introduction of sand into the system and also the installation of equipment for the testing and repairing of customers' meters.

From a careful review of the testimony pertaining to this phase of applicant's operations, there appears to be considerable merit in the staff engineer's contention that an upward adjustment in the operating revenues is warranted, based on the factors named. However, the extent of such adjustments as determined by this witness cannot be fully justified by the record. The Commission finds that for the estimated year 1961, total revenues of \$36,700 at the existing

rates and \$65,000 at the proposed rates would result and such amounts will be adopted as reasonable for the purposes of this proceeding.

Operating Expenses

An analysis of the components of operating expenses as presented in the two showings reveals that the staff's adjusted and estimated amounts for the two test years are lower than applicant's in two main accounts, namely, power and pumping expenses and general expenses.

As part of his investigation of applicant's operations and an examination of recorded data pertaining to the operation of the pumps, the staff engineer found that power bills were excessive for the amount of water required to be delivered to the consumers, indicating inefficient operation due to many causes. By the installation of certain facilities which he has recommended, a saving in power bills can be effected, according to this witness.

The staff engineer's estimate of general expenses for the year 1961 is about \$1,500 lower than that of applicant's witness. The reasons for this difference were explored at some length during cross-examination. A review of the record indicates that the engineer's estimate for this category of expenses is somewhat low.

In view of the evidence respecting operating expenses, the Commission finds that for the estimated year 1961 an amount of \$25,000 for this item is reasonable to enable applicant to provide reasonably adequate service and said amount will be adopted for the purposes of this proceeding.

Depreciation and Taxes

The staff's adjustments to the utility plant, hereinafter discussed, necessarily require the depreciation expense to be adjusted

likewise. The saturation adjustment, explained hereinabove, also has a major effect on the differences between the determinations of depreciation expense as developed in the two showings.

The differences between the two sets of estimates of taxes other than those on income are almost entirely due to the fact that the staff has excluded a portion of the ad valorem taxes consistent with the saturation adjustment previously described.

The computation of taxes on income necessarily depends upon the various estimates of operating revenues and the applicable deductions therefrom.

The Commission finds the staff's treatment of these elements of expense to be fair and reasonable and the amounts developed thereby will be adopted for the purposes of this proceeding.

Utility Plant and Rate Base

In arriving at their respective depreciated rate bases for the two test years of 1960 and 1961, both applicant and the Commission staff used as a starting point the recorded utility plant balance of \$315,699 as of December 31, 1960.

In its determination of weighted average utility plant, for the year 1960 adjusted, applicant deducted from the 1960 year-end balance one half of the amount of \$42,654 representing normal additions during the year 1960; and for the year 1961 estimated, applicant added to the 1960 year-end balance one half of the amount of \$31,570 as the estimated additions during 1961.

On the other hand, to the December 31, 1960, balance the staff gave full weighting for certain negative adjustments to exclude items of plant not now in use and additive adjustments for recommended improvements, on a pro forma basis for both test years, as follows:

Recorded utility plant balance, December 31, 1960 \$315,699

Recommended Improvements:

Two new tank sites	\$3,000*
60 hp motor and pump	7,000*
Three meters at well pumps	1,500
Automatic controls for pumps	2,000
Three sand traps at wells	6,000
One 300,000-gallon tank	13,000
Two 500-gallon tanks	1,000*
New 2-inch and 6-inch mains	22,000
40 meters on customers' services	2,000
Meter testing equipment	<u>2,000</u>

Total Improvements 59,500

Subtotal \$375,199

Deductions:

Intangible plant	\$2,950
Three unused tank sites	1,000
Gasoline engine and pumps	4,276
25 hp motor and pump	2,500
Two unused tanks	<u>1,912</u>

Total Deductions 12,632

Adjusted balance, December 31, 1960 \$362,561

Rounded to \$362,600

*Acquired or installed in 1961

The average annual growth of 77 customers will result in plant additions for services and meters of about \$8,000 per year. One half of this amount is deducted by the staff from the above adjusted balance to arrive at the adjusted weighted utility plant for the test year 1960 and the same amount is added to arrive at the adjusted weighted utility plant for the test year 1961.

The average rate bases for the adjusted year 1960 and the estimated year 1961 as developed by applicant and by the staff are as follows:

RATE BASES

<u>ITEM</u>	<u>1960 Adjusted</u>		<u>1961 Estimated</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Weighted Average Utility Plant	\$294,400	\$350,600	\$331,430	\$366,600
Average Materials and Supplies	2,000	2,000	2,000	2,000
Average Working Cash	<u>1,770</u>	<u>1,770</u>	<u>1,925</u>	<u>1,920</u>
Subtotal	<u>298,170</u>	<u>362,370</u>	<u>335,405</u>	<u>370,520</u>
Deductions:				
Average Depreciation Reserve	67,400	35,050#	76,020	41,800#
Contributions in Aid of Construction	29,590	34,820*	23,620	34,820*
Advances for Construction	35,340	35,340	35,340	35,340
Saturation Adjustment		<u>77,500</u>		<u>77,500</u>
Total Deductions	<u>132,330</u>	<u>182,710</u>	<u>139,980</u>	<u>189,460</u>
Weighted Average Depreciated Rate Base	165,840	179,660	195,425	181,060
USE	165,860	180,000	195,410	181,000

#Excludes contributed plant accruals and reserve for overbuilt plant.

*Initial Amount

For the purposes of this proceeding, the method followed by the staff and the rate bases developed thereby are found to be reasonable and they will be adopted for the purpose of testing applicant's need for increased revenues.

To the extent that the improvements recommended by the staff have been included in rate base and have not yet been installed, the order herein will require their installation within a reasonable time.

In view of the evidence and the foregoing findings, the Commission adopts the following as a summary of operations of applicant for the estimated year 1961:

ADOPTED RESULTS OF OPERATIONYear 1961, Estimated

<u>ITEM</u>	<u>Existing Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$36,700	\$65,000
Deductions:		
Operating Expenses	25,000	25,000
Depreciation	6,870	6,870
Taxes Other Than Income	1,750	1,750
Income Taxes	<u>1,040</u>	<u>11,650</u>
Total Deductions	34,660	45,270
Net Revenue	2,040	19,730
Rate Base (depreciated)	181,000	181,000
Rate of Return	1.1%	10.9%

Miscellaneous

As described under the previous heading, the staff recommended the acquisition and installation of facilities totalling \$59,500. In this connection it may be noted that a recent engineering study by a consulting engineer employed by applicant includes recommendations for the following improvements to be undertaken shortly at an approximate total cost of \$67,500:

One 300,000-gallon storage tank
 One 10,000-gallon pressure tank
 2,400 feet of 8-inch diameter pipe
 3,000 feet of 6-inch diameter pipe
 Miscellaneous items

Further details of the consultant's study are not of record in this proceeding.

In respect to the staff's recommended installation of automatic controls at the wells and meters at the well pumps, applicant's president considered these items to be unnecessary refinements. He also took exception to the installation of sand traps and testified that a better way to eliminate the sand problem

would be by making some alterations at the bottom of the wells and installing pumping units of lesser capacity. The order herein will require applicant to make the installations recommended by the staff but some discretion will be afforded applicant as to the method of preventing sand from entering the system.

The staff made other 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. These recommendations are hereby found to be reasonable and the order herein will require applicant to carry out such recommendations.

The staff also recommended that the proposed schedule of general flat rates not be authorized and that the services to the present flat rate customers and others now receiving free water service be equipped with meters. On a system that is almost fully metered, we consider it discriminatory to allow some customers to continue to receive unlimited quantities of water at flat rates, or without charge, while all others are billed for measured quantities. Such discrimination should be eliminated. The order herein will require applicant to install meters on all such customers' services forthwith, which action will eliminate the necessity for a flat rate schedule.

The staff's investigation revealed that applicant has not been conducting its business in conformity with the Public Utilities Code, the Commission's General Orders No. 96 and No. 103 and the utility's authorized tariff schedules. Applicant is put on notice that it must hereafter render its public utility water service in accordance with all pertinent regulations and that it should cease

and desist from any further noncompliance therewith such as those specifically set forth in Items a. through r. on pages 25 and 26 of the staff's report, Exhibit No. 8.

Refunding of Unauthorized Charges

As a result of its investigation of applicant's operations, the staff brought to light the fact that applicant still has not refunded certain amounts of unauthorized charges as previously ordered by the Commission.

Application No. 35274, Application No. 36203, Case No. 5516, and Case No. 5518 concerned applicant in a dispute over the service area, complaints with regard to the main extension rule, and quality and adequacy of service. These matters were consolidated for hearings held in 1954, 1955 and 1956 and several orders^{1/} were issued wherein, among other things, the service area was defined, improvements were ordered to be installed and certain refunds were ordered to be made.

Certain lists of charges having been filed in compliance with Decision No. 52021, in Decision No. 54441 it was ordered that:

- "(1) Yucca Water Company, Ltd., be and it is hereby directed to refund the charges for service connections in the amount of \$4,662, and the charges for installations in the amount of \$7,257.39, as detailed in Exhibit No. 1, said refunds to be made in accordance with a plan to be submitted by the company and approved by the Commission.
- "(2) Within ninety days after the effective date of this order, The Yucca Water Company, Ltd., shall submit to this Commission a plan for the making of these refunds.
- "(3) If a satisfactory plan is not submitted, then the Commission may take further action in this matter."

^{1/} Decision No. 52021, October 4, 1955, Interim Opinion and Order (54 Cal. P.U.C. 441); Decision No. 52316, December 5, 1955, Opinion and Order on Petition for Rehearing (54 Cal. P.U.C. 525); Decision No. 52440, January 4, 1956, Supplemental Opinion and Order; Decision No. 54441, January 29, 1957, Opinion and Order rendered after further hearing; Decision No. 55413, August 20, 1957, Order Modifying Decision No. 54441 and Denying Petition for Rehearing.

In a petition for rehearing or modification, the company urged that its tariff Rule 19, which was applicable at the time of collection of the charges for main extensions, should be controlling in the making of refunds. At that time, said tariff Rule and Regulation No. 19 was as follows:

"For a period not exceeding ten years from the date of completion of the main extension, the company will refund to the depositor, or other party entitled thereto, annually, 35% of the gross revenues collected from consumer or consumers occupying the property to which the said extension has been made; provided, however, that the total payments thus made by the company shall not exceed the amount of the original deposit without interest."

Acting upon the said petition, in Decision No. 55413 it was ordered that:

- "(1) Yucca Water Company, Ltd. be and it is hereby directed to refund the amount of \$4,662.00, the charges for service connections as detailed in Exhibit No. 1 in the above proceeding, said refunds to be made in accordance with a plan to be submitted by the company within thirty days after the effective date hereof;
- "(2) Yucca Water Company, Ltd., be and it is hereby directed to refund the charges for main extensions as detailed in said Exhibit No. 1, said refunds to be made in accordance with petitioner's tariff Rule and Regulation No. 19, which was applicable at the time such advances for main extensions were made;
- "(3) Except as to the modifications contained herein, said petition for rehearing and/or modification is hereby denied."

In a letter dated January 7, 1958, and received by the Commission on January 8, 1958, the company submitted its plan in belated compliance with the order in Decision No. 55413. In said letter, a copy of which was received as Exhibit No. 9 in this proceeding, the company proposed to make the required refunds in certain monthly amounts commencing January 15, 1958.

It may be noted that in Decision No. 54441 the plan submitted by the company was to be approved by the Commission, but no such approval was incorporated in the later Decision No. 55413. At the hearing in the instant application, applicant's president testified that because the plan as submitted has not been approved or disapproved by the Commission, his company has not taken any action on the refunds.

In tardy response to the hearing officer's request, on January 16, 1962, the Commission received applicant's late-filed Exhibit No. 10. The exhibit contains some details of the charges for service connections totalling \$4,662. It also contains some details of charges for installations in the amount of \$7,253 and of the revenues received, by years, from such installations. The exhibit does not include any new or revised plan for making the refunds, which was requested.

The manner of making said refunds as submitted in applicant's letter of January 8, 1958 is a reasonable plan and the Commission so finds. The order herein will require applicant to proceed with the making of the refunds in general accordance with the plan submitted in said letter of January 8, 1958, but with the dates revised to be consistent with the date of this decision.

Findings and Conclusions

Based upon a careful review of the record and with due consideration having been given to the briefs filed in this proceeding, the Commission finds and concludes as follows:

1. The amounts of operating revenues, expenses (including taxes and depreciation) and rate base as hereinabove adopted to show the results of applicant's operations for the estimated year 1961 are

reasonable and they should be used for the purposes of this proceeding to test applicant's need for increased revenues.

2. The revenues obtainable from the rates presently being charged by applicant are deficient and applicant is entitled to some increase in revenue.

3. The rates proposed by applicant are higher than can be justified for the water service to be rendered and they would produce revenues greater than, and the resulting rate of return on the adopted rate base would be in excess of, those which are reasonable.

4. Applicant should be authorized to file the rates set forth in Appendix A following the order herein, which rates would have produced annual gross revenues of \$52,800 during the year 1961, had such rates been in effect for that year. This represents an increase of about \$16,100, or about 44 percent, over the revenues obtainable for the same year at the rates presently being charged. After due allowance for all reasonable operating expenses, taxes (including those on income), and depreciation, amounting to \$40,110, the resulting net revenue of \$12,690 represents a rate of return of 7.0 percent on the adopted rate base of \$181,000, which rate of return is fair and reasonable.

5. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

6. Applicant should be required to install meters on the services to all customers heretofore supplied with water at no charge or at unauthorized flat rates, and thereafter to charge for all such service at the authorized meter rates.

7. Applicant should be required to proceed with the installation of those certain improvements to its water system required by the order herein, in order to provide an adequate and dependable supply of water of good quality to its customers at all times. Said improvements are reasonably necessary in the discharge of applicant's obligations as a public utility.

8. Applicant should be required to refund the charges for service connections and for main extensions heretofore ordered by previous decisions of the Commission, without further delay.

O R D E R

A public hearing having been held and based upon the evidence therein adduced and the findings contained in the foregoing opinion,

IT IS ORDERED that:

1. 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-A, 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 May 1, 1962.

2. Applicant shall forthwith, and within not more than thirty days after the effective date of this order, install meters on all service connections through which service has heretofore been furnished at no charge or at unauthorized flat rates. Thereafter applicant shall charge for all such service at the rates under Schedule No. 1, General Metered Service. Within ten days after the

installation of the last meter required by this paragraph 2, applicant shall render a written report to the Commission listing the meter installations by the name of the customer and showing the size of the meter and the date on which each meter was installed.

3. Within forty-five days after the effective date of this order, applicant shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96-A and in a manner 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.

4. Within sixty days after the effective date of this order, applicant shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 500 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 1962, applicant shall determine depreciation expense by accounts, using the rates set forth in Table 5-A of Exhibit No. 8 of the instant proceeding. These rates shall be used until a review indicates that they should be revised. Applicant shall review the depreciation rates, using the straight-line remaining life method, whenever substantial changes in depreciable utility plant occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

6. Within thirty days after the effective date of this order, applicant shall render a written report to the Commission, signed by a responsible officer of the company, outlining its program of steps taken and to be taken to effectively eliminate the introduction of sand from each of its wells into the transmission and distribution system, whether by alterations to the wells and/or pumping plants, by the installation of suitable sand traps or by some other means. Such program shall include a procedure for testing and determining the effectiveness of the steps taken, under all pumping conditions. Applicant shall proceed with its program without further order of this Commission and shall complete the planned alterations, installations or other necessary steps on or before July 1, 1962. On or before July 31, 1962, and on or before the last day of each month thereafter up to and including September 30, 1963, applicant shall file with the Commission a written report setting forth the results of tests made during the month to determine the effectiveness of the program undertaken to eliminate the introduction of sand into the system.

7. On or before July 1, 1962, applicant shall:

- a. In compliance with Paragraph II.4. of General Order No. 103, install and place in operation a suitable measuring device at each well by means of which there may be determined the quantity of water produced at each such source and delivered into the system, and thereafter maintain monthly records of the quantities so produced at each well.
- b. In compliance with the general provisions of Paragraph VI of General Order No. 103, install adequate facilities, instruments and other equipment necessary for testing, repairing and restoring the accuracy of customers' meters as may be found necessary.

Within thirty days after completion thereof, applicant shall file with the Commission a written report indicating the date when each installation was made and the actual cost thereof.

8. On or before August 1, 1962, applicant shall install and place in operation:

- a. A storage tank having a capacity of approximately 300,000 gallons of water, to be located on the slope of the mountain north of the community of Yucca Village at the same elevation as the existing 125,000-gallon Reservoir No. 1, and situated somewhere between Mohawk Trail and Wamego Trail or the northerly extensions thereof.
- b. A water main having an inside diameter of not less than eight inches, extending from Well No. 2 to the new 300,000-gallon tank.
- c. A water main having an inside diameter of not less than six inches, extending from Well No. 1 to Well No. 2.
- d. A water main having an inside diameter of not less than six inches, connecting with existing pipelines of six-inch or larger diameter, to transmit the output of Well No. 3 to the new 300,000-gallon tank.
- e. Such additional pipelines having an inside diameter of not less than six inches as may be necessary to provide a continuous six-inch main extending from the intersection of Cherokee Trail and Onaga Trail eastward to the intersection of Onaga Trail and Amador Avenue.

Within thirty days after completion thereof, applicant shall file with the Commission a written report indicating the date when each installation was made and the actual cost thereof.

9. On or before September 1, 1962, applicant shall install and place in operation suitable controls at all wells to provide for automatic operation of the well pumps and booster pumps to maintain the supply of water in the several storage tanks at appropriate levels. Within thirty days after the completion thereof, applicant shall notify the Commission in writing when such automatic controls were installed and the actual cost thereof.

10. Applicant shall refund the amount of \$4,662, the charges for service connections as detailed in Exhibit No. 10 in the instant proceeding, said refunds to be made as follows:

- a. Not less than the sum of \$100 on the 15th day of each month commencing July 15, 1962, and to and including June 15, 1963, the same to be prorated to the respective persons and customers involved.
- b. Not less than the sum of \$150 on the 15th day of July, 1963, and on the 15th day of each succeeding month until the whole of the aforesaid sum shall have been paid in full, the same likewise to be paid prorata to the respective persons and customers involved.

Commencing on the first day of August, 1962, and on the first day of each succeeding month until the total amount of the said \$4,662 shall have been refunded, applicant shall file with the Commission a written report listing the parties and the respective amounts paid to them on the 15th day of the prior month.

11. Applicant shall refund the charges for main extensions as detailed in Exhibit No. 10 in the instant proceeding, said refunds to be made in accordance with applicant's tariff Rule and Regulation No. 19, which was applicable at the time such advances for main extensions were made, said refunds to be made as follows:

- a. Not less than the sum of \$50 per month, commencing July 15, 1962, and on the 15th day of each succeeding month to and including June 15, 1963, the same to be paid prorata to the respective persons and customers involved.
- b. Not less than \$100 per month, commencing July 15, 1963, and on the 15th day of each succeeding month until all refundable amounts shall have been paid in full, the same likewise to be paid prorata to the respective persons and customers involved.

Commencing on the first day of August, 1962, and on the first day of each succeeding month until all refundable amounts shall have been

refunded, applicant shall file with the Commission a written report listing the parties and the respective amounts paid to them on the 15th day of the prior month.

12. Except to the extent authorized herein, Application No. 43286 is hereby denied.

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

Dated at San Francisco, California, this 27th
day of MARCH 1, 1962.

Edward M. Page
President
W. E. [unclear]
E. [unclear]
George H. Grover
Frederick B. Holcomb
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Yucca Village and vicinity, San Bernardino County.

RATES

Quantity Rates:

		Per Meter Per Month
First	800 cu. ft. or less	\$3.60
Next	700 cu. ft., per 100 cu. ft. ....	.40
Next	1,000 cu. ft., per 100 cu. ft. ....	.35
Next	2,500 cu. ft., per 100 cu. ft. ....	.30
Over	5,000 cu. ft., per 100 cu. ft. ....	.25

Minimum Charges:

For	5/8 X 3/4-inch meter	\$ 3.60
For	3/4-inch meter	5.40
For	1-inch meter	9.00
For	1 1/2-inch meter	18.00
For	2-inch meter	28.00
For	3-inch meter	54.00
For	4-inch meter	90.00

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. 5

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

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

TERRITORY

Yucca Village and vicinity, San Bernardino County.

RATES

<u>Size of Hydrants</u>	<u>Size of Mains</u>	<u>Per Hydrant Per Month</u>
2 $\frac{1}{2}$ " X 2 $\frac{1}{2}$ "	Under 4"	\$ 0.50
2 $\frac{1}{2}$ " X 2 $\frac{1}{2}$ "	4" or larger	0.75
4" X 2 $\frac{1}{2}$ "	4" or larger	1.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation and maintenance of hydrants shall 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 a result of its normal operation of the system.

APPENDIX A
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Schedule No. 9

BULK WATER SERVICE

APPLICABILITY

Applicable to all bulk water sales.

TERRITORY

Yucca Village and vicinity, San Bernardino County.

RATES

Quantity Rate:	<u>Per Delivery</u>
Per 100 cu. ft.	\$ 0.75
Minimum Charge:	1.00

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