

**ORIGINAL**Decision No. 63568

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of OCEANO WATER COMPANY, INC., under Section 454 of the Public Utilities Code for authority to increase its public utility water rates.

Application No. 43720

Wyman C. Knapp of Knapp, Gill, Hibbert & Stevens,  
W. L. Arnold and John Bader, for Oceano Water  
 Company, Inc., applicant.  
Homer H. Hyde, for Campbell Water Company and  
Fred Friedman, interested parties.  
L. L. Thormod and Clyde F. Norris, for the  
 Commission staff.

O P I N I O NApplicant's Request

By the above-entitled application, filed August 30, 1961, applicant seeks an order of this Commission authorizing increased water rates for its General Metered Service, Schedule No. 1. As the water system is completely metered, Schedule No. 2, Flat Rates, is not used. Also, its Schedule No. 4L, Measured Irrigation Service, is not used as the last irrigation customer discontinued service in June 1961. Therefore, applicant also proposes that Schedule No. 2 and Schedule No. 4L be deleted from its rate structure.

Public hearing on the application was held before Examiner Wilson E. Cline at San Luis Obispo on December 14, 1961. At the close of the hearing the matter was taken under submission.

Description of the Water System

As of August 31, 1961, applicant's water system served 703 domestic customers, four industrial customers and seven public authority customers.

The sources of water supply are three wells, each 14 inches in diameter and 200 feet deep. Two of the wells are equipped with deep-well turbine pumps with geared heads connected to natural gas engines. A centrifugal pump has also been placed in the head of each of these pumps. The turbine portion pumps water from the wells into an aeration tank from which it is returned to be pumped into the system by the centrifugal portion of the pumping units. The third well is equipped with an electrically driven deep-well turbine pump which delivers the water into the aeration tank. At this well site there is also a centrifugal pump which takes water from the aeration tank and delivers it into the system through a pressure tank. The total water pumped from the three wells is about 1600 gpm.

The storage facilities consist of one 50,000-gallon redwood stave tank, one 215,000-gallon bolted steel tank and one 5,000-gallon pressure tank. Applicant serves its customers through approximately 60,000 feet of mains varying from one to eight inches in diameter at pressures ranging from 30 to 65 psi.

#### Present and Proposed Rates

Applicant's present flat and meter rates were first authorized by this Commission in its Decision No. 29707 dated April 26, 1937, in Cases Nos. 4183 and 4199, and they became effective May 1, 1937.

The following tabulation shows a comparison of the presently effective meter rates with those proposed by the applicant for Schedule No. 1, Meter Rates.

GENERAL METERED SERVICERatesPer Meter Per MonthPresent RatesProposed Rates

## Quantity Rates:

First 400 cu.ft. or less .....	\$ 2.00	\$ 2.75
Next 1,600 cu.ft., per 100 cu.ft. ...	.20	.30
Over 2,000 cu.ft., per 100 cu.ft. ...	.15	.22

## Minimum Charge:

For 5/8 x 3/4-inch meter .....	2.00	2.75
For 3/4-inch meter .....	2.50	3.50
For 1-inch meter .....	4.00	6.00
For 1½-inch meter .....	-	12.00
For 2-inch meter .....	6.00	18.00
For 3-inch meter .....	10.00	30.00
For 4-inch meter .....	15.00	50.00

Summary of Results of Operation

Table No. 9 of applicant's Exhibit No. 4 herein sets forth a summary of earnings and rate of return for the test year 1962, and the Commission staff Exhibit No. 5 sets forth a summary of earnings and rate of return for the year 1960 recorded and the years 1961 and 1962 estimated. The following tabulation of earnings and rate of return for the year 1962 is prepared from these exhibits:

<u>ITEM</u>	<u>APPLICANT</u>		<u>CPUC STAFF</u>	
	<u>Year 1962 Estimated</u>		<u>Year 1962 Estimated</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 38,382	\$ 53,814	\$ 38,060	\$ 53,160
Operating Expenses	\$ 25,632	\$ 25,632	\$ 24,780	\$ 24,780
Taxes Other Than Income	2,389	2,389	2,610	2,610
Taxes on Income	1,210	6,433	1,230	6,340
Depreciation Expense	6,788	6,788	7,050	7,050
Total	\$ 36,019	\$ 41,242	\$ 35,670	\$ 40,780
Net Operating Profit	\$ 2,363	\$ 12,572	\$ 2,390	\$ 12,380
Average Depreciated Rate Base	\$177,800	\$177,800	\$174,310	\$174,310
Rate of Return	1.33%	7.07%	1.4%	7.1%

Service

The Commission staff Exhibit No. 5 states that service is adequate, and that no informal complaints have been filed with the Commission during the past five years.

The Commission staff witness suggests that future main replacements be made with asbestos-cement pipe as water production is approximately 40% greater than the amount delivered and the sandy soil makes leaks difficult to locate.

No customers appeared to testify regarding service or to oppose the proposed increase in rates.

Recommendations

The Commission staff Exhibit No. 5 sets forth certain recommendations regarding accruals for depreciation and the filing of maps, rules governing customer relations and sample copies of printed forms normally used in connection with customer services which will be adopted and incorporated in the order to follow.

Findings and Conclusions

Based upon a review of the record in this matter and after careful consideration of all of the evidence, the Commission finds and concludes as follows:

Both applicant's and the staff's showings clearly indicate that the revenues obtainable from the present rates are deficient.

The estimates of operating revenues, expenses, including taxes and depreciation, and the rate base as developed by the staff for the test year 1962 are reasonable and they hereby are adopted for the purposes of this proceeding. The depreciation rates, by accounts, as set forth in Table 5-A of Exhibit No. 5 are reasonable and are hereby adopted.

Applicant is entitled to the rate relief sought and the proposed rates will not be excessive or unreasonable and should be authorized.

The increases in rates and charges authorized herein are justified and reasonable, and the present meter rates and charges in Schedule No. 1 insofar as they differ from those herein prescribed are for the future unjust and unreasonable.

Applicant should be authorized to cancel Schedule No. 2, Flat Rates, and Schedule No. 4L, Measured Irrigation Service, since neither of these schedules is presently being used by any customer.

The recommendations of the Commission staff set forth in Exhibit No. 5 should be adopted.

O R D E R

Oceano Water Company, Inc., having filed its application herein, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96-A, the schedule of rates attached to this order as Appendix A and, on not less than five days' notice to the Commission and to the public, to make such rates effective for all service rendered on and after May 11, 1962.

2. Concurrently with the filing authorized herein, applicant is authorized to withdraw and cancel by appropriate advice letter

its presently effective rate schedules as follows:

Schedule No. 2, Flat Rates

Schedule No. 4L, Measured Irrigation Service.

3. Within forty-five days after the effective date of this order, applicant shall file in quadruplicate with this Commission, in conformance 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 200 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 accruals, by depreciable plant accounts, according to the straight-line remaining life method, using the annual rates in Table 5-A of Exhibit No. 5 until review indicates the rates should be revised. Applicant shall make depreciation reviews at no greater than five-year intervals and whenever substantial changes in plant

characteristics occur. The results of such reviews shall be submitted to the Commission.

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

Dated at San Francisco, California, this 17th day of April, 1962.

*Paul L. Marshall* President  
*E. L. Fox*  
*George J. Brewer*  
*Friedrich B. Halberoff* Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1  
GENERAL METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

(T)

TERRITORY

Oceano and vicinity, San Luis Obispo County.

(T)

RATES

Per Meter  
Per Month

Quantity Rates:

First 400 cu.ft. or less .....	\$ 2.75	(I)
Next 1,600 cu.ft., per 100 cu.ft. ....	.30	
Over 2,000 cu.ft., per 100 cu.ft. ....	.22	

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 2.75	
For 3/4-inch meter .....	3.50	
For 1-inch meter .....	6.00	
For 1 1/2-inch meter .....	12.00	
For 2-inch meter .....	18.00	
For 3-inch meter .....	30.00	
For 4-inch meter .....	50.00	(I)

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

(T)

(T)