

**ORIGINAL**

Decision No. 63979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of ALISAL WATER CORPORATION, a )  
corporation, doing business as )  
ALCO WATER SERVICE, for authority )  
to increase rates for water serv- )  
ice rendered in and in vicinity )  
of the unincorporated area of )  
Monterey County known as the )  
ALISAL DISTRICT. )

Application No. 44060  
Filed December 28, 1961

William C. Miller, Jr., for applicant.  
John D. Reader and H. H. Webster, for  
the Commission staff.

O P I N I O N

After due notice, public hearing in this matter was held before Examiner F. Everett Emerson, on June 19 and 20, 1962, at Salinas. The matter was submitted on the latter date.

Applicant conducts its utility business under the name of Alco Water Service in an unincorporated area in Monterey County known as Alisal, an area of about 14,000 population in which applicant presently supplies water service to about 2,500 customers. The water system is supplied from five deep wells which collectively produce about 2,500 gallons of water per minute. The evidence is clear that the service rendered is adequate and that the system is well constructed and properly maintained and operated.

Applicant's existing water rates have been in effect since 1937. They are presently among the lowest public utility water rates in California and produce insufficient revenues to meet the system's

present needs. A comparison of typical billings under existing rates and the rates which applicant seeks is as follows:

Quantity (Cubic Feet)	Monthly Bill	
	Existing Rates	Requested Rates
500	\$1.40	\$1.80
700	1.40	2.30
1,000	2.00	3.05
1,577 (average use)	2.87	4.45
2,000	3.50	5.30
4,000	6.00	9.05

Applicant's earning situation was presented through exhibits and the supporting testimony of three witnesses. The Commission staff, through two witnesses, also presented the results of its independent investigation of applicant's operations. In summary, this evidence establishes that for the year 1961 applicant realized a net income of only \$662 on an adjusted utility plant balance of \$457,029. From the evidence respecting earnings related to a depreciated rate base, the Commission finds and concludes that applicant's operations during the year 1961 produced a rate of return of less than one percent, developed as illustrated by the following tabulation:

Results of Operations  
Existing Water Rates - Year 1961

Operating Revenues	\$ 79,529
Operating Expenses	78,010
Net Revenue	1,519
Rate Base, depreciated	233,200
Rate of Return	0.65%

Applicant has clearly and conclusively demonstrated that it is in need of and is entitled to increased revenues and the Commission so finds.

During 1961 applicant expended approximately \$49,559 for gross additions to plant in order to meet the growing needs of its customers. During 1962 it estimates that it must expend approximately \$64,200 for plant additions and foresees the minimum need for

an additional \$5,500 to be expended early in 1963. Its ability to finance such needs is severely limited. The testimony of a vice president of the banking institution from which applicant has in the past borrowed funds indicates that applicant's earning position is presently so poor that additional loans will not be considered. In fact, applicant's request for a short-term borrowing of only \$2,000 in order to meet its property tax payments in April of this year was refused by the bank. Applicant's employees voluntarily accepted reduced wages and themselves put up the money for the tax payment.

The public interest is directly affected by such a situation, for experience shows that service is likely to deteriorate, to the public detriment, when a utility reaches the straitened circumstances which this record discloses are upon applicant. Only the dedicated efforts of management and employees have enabled applicant to meet its public utility obligations. Applicant has never declared or paid a dividend.

In viewing applicant's future operations, the Commission staff has recommended that applicant be accorded a rate of return in the range of 7.4 to 7.8 percent based upon anticipated operations during the year 1962. Applicant's present indebtedness requires a monthly repayment of \$700. The interest on this debt amounts to more than \$3,900 annually. The debt bears an interest rate of 7 percent per year.

In view of the evidence, the Commission finds that the fair and reasonable depreciated rate base on which applicant should be accorded the opportunity to earn a return is \$252,100 for the year 1962. Further, in view of the evidence the Commission finds that a fair and reasonable rate of return, related to such rate base, is 7.4 percent. Accordingly there is a net revenue requirement of \$10,655 which, when reflected in gross revenues, requires

increased gross revenues of approximately \$31,460 on an annual basis. The Commission finds such increased revenues to be justified. The water rates which applicant has proposed will produce no greater than such an increased amount. The Commission concludes, therefore, that applicant's request should be granted without modification.

The Commission finds that the increased rates authorized herein are justified and that existing rates, insofar as they differ from those authorized herein, are for the future unjust and unreasonable.

The evidence includes certain recommendations of the Commission staff respecting depreciation accounting methods, the filing of up-to-date maps and the revision of utility rules so as to reflect present-day practices. The order herein will implement such recommendations, which we hereby find to be reasonable.

#### O R D E R

Based upon the evidence and the findings and conclusions set forth in the foregoing opinion,

IT IS HEREBY ORDERED as follows:

1. Alisal Water Corporation is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformity 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 the public and to this Commission, to make said rates effective for water service rendered on and after September 16, 1962.

2. Beginning with the year 1962, applicant shall determine depreciation accruals by dividing the original cost of depreciable plant, less estimated future net salvage and less depreciation

reserve, by the estimated remaining life of the plant. Further, applicant shall review the depreciation rates so determined, using the straight-line remaining life method of depreciation accounting, whenever substantial changes in plant composition occur and at intervals of not more than five years. Results of such reviews shall be submitted to the Commission.

3. Within thirty days after the effective date of this order, applicant shall file with this Commission, in conformity with the provisions of General Order No. 96-A, four copies of rules governing service to its customers, together with a revised tariff service area map and copies of forms normally used in connection with customers' services, revised to reflect present-day operations and practices, the same to become effective on not less than ten days' notice to the public and to this Commission after said filing.

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, hydropneumatic tanks and distribution facilities; and the location of the various water system properties of applicant.

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

Dated at San Francisco, California, this 24<sup>th</sup> day of JULY, 1962.

George T. Crover  
President  
[Signature]  
[Signature]  
[Signature]

Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Alisal, and vicinity, located immediately east of Salinas,  
Monterey County.

(T)  
(T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft. or less .....	\$ 1.80	(I)
Next 1,000 cu.ft., per 100 cu.ft. ....	.25	⋮
Next 2,000 cu.ft., per 100 cu.ft. ....	.20	⋮
Over 3,500 cu.ft., per 100 cu.ft. ....	.15	⋮
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 1.80	(I)
For 3/4-inch meter .....	2.50	⋮
For 1-inch meter .....	4.00	(I)
For 1 1/2-inch meter .....	7.00	⋮
For 2-inch meter .....	10.00	(I)

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Alisal, and vicinity, located immediately east of Salinas, Monterey County.

RATES

	<u>Per Hydrant Per Month</u>	
	<u>Facilities Installed at Cost of</u>	
	<u>Utility</u>	<u>Public Authority</u>
Wharf hydrant		
On main 4 inches or larger in diameter	\$3.50	\$1.75
Standard hydrant		
Metropolitan		
Double outlet .....	\$5.75	\$2.75
Triple outlet .....	8.00	3.50

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. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the ownership, type and the size of hydrant and the specific location at which each is to be installed.
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.