

**ORIGINAL**

64132

Decision No. \_\_\_\_\_

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SACRAMENTO WATER COMPANY, a  
California corporation, for authority  
to increase rates for water services  
in the area known as North Highlands,  
Sacramento County, California.

Application No. 43748  
(Filed September 12, 1961)

Gregory E. Koshell, Jon G. Koshell, Pearl B.  
Koshell and J. George Harbinson, for applicant.  
William H. Morrow, Dale D. Burke, Bobby L.  
Vanbiber, interested parties.  
John D. Reader, for the Commission staff.

O P I N I O N

Applicant requests an increase in rates for water service in accordance with Sections 454 and 728 of the Public Utilities Code. The application asserts "the increase in rates is necessary in order to provide sufficient revenue to meet the rising costs of labor and material, to pay operating and maintenance expense, and to realize a fair return on the investment." According to the summary of earnings attached to the application as Exhibit F, applicant operated at a loss of \$3,248 during the year 1960.

Public Hearings

Public hearings on the application were held in Sacramento, California, before Examiner Edward G. Fraser, on April 24, 25 and 26, 1962. The matter was submitted on April 26, 1962, after oral argument presented by the staff and the applicant.

System Facilities

The service area location is in North Highlands, an unincorporated area of Sacramento County located approximately seven miles northeast of the Sacramento Post Office. It is part of the Oakdale Subdivision, including McClellan Gardens, Air Base Meadows, Freeway Gardens, Hillview Farms No. 1, and Lots 68, 69 and 71.

The water system consists of two separate service areas approximately one mile apart, without any connecting lines or mains. Each area receives water from a separate tank and well, with the flow regulated by electric pumps which turn on and off automatically. There are no standby or substitute facilities for either of the pumps or wells. If a pump ceased operating, the system it regulates would be unable to supply water until the defective part was repaired or replaced.

Well and pump No. 1 supply water to 150 trailer units, 30 apartments, 44 rental units in the McClellan Tract, a laundrette, service station, the office of the applicant and a swimming pool. Well and pump No. 2 furnish water to 67 homes in Freeway Gardens, 22 homes in Air Base Meadows and 23 homes in Hillview Farms. The system also furnishes water to 11 wharf-type fire hydrants. No further growth is anticipated because the entire area outside of the tracts the applicant now supplies is served by the North Ridge Water Company.

Present and Proposed Rates

The present and proposed rates are listed in Appendix "D" of the application and basically are as follows:

General Flat Rate Service per Connection per Month

	Present Rate	Proposed Rate
8,000 sq. ft. or less	\$ 3.00	\$ 9.00
From 8,000 to 45,000 sq. ft.	3.35 to 6.60	9.35 to 12.60
Over 45,000 sq. ft., each additional 10,000 sq. ft. or fraction thereof	.75	3.00
For each additional residential unit on the same lot and served through the same service connection	2.00	8.00
For each evaporative-type cooler in addition to regular flat rates, dur- ing the months of May, June, July, August, September, and October:		
Circulating type	.25	1.00
Noncirculating type	.75	3.00

Position of the Applicant

The principal stockholder of the applicant testified that he has financed the applicant corporation and has made up the losses suffered by the company out of his personal assets. He stated the income tax returns of the applicant show a \$2,562.67 loss in 1960 and a deficit of \$3,255.21 in 1961. He testified he has been managing the applicant corporation as an unpaid executive, but he now expects to work on a salaried basis, since he has invested approximately \$70,000 in the water system. He stated he has estimated his minimum monthly wage requirement at \$100 for a system manager, \$150 for a bookkeeper and \$150 for a maintenance man.

The applicant requested that the decision in this matter include a finding which would require landowners to guarantee payment for all water used on their land, even if the property is rented, loaned or leased. The applicant also requested that another finding be made to provide that all persons who may have their water service turned off due to nonpayment of water bills, be required to pay the rate for an entire year, in advance, before their service can be reconnected.

A certified public accountant testified for the applicant and placed Exhibit No. 12 in evidence. The applicant's counsel stated that the applicant was relying on the rates requested in the application, which are based on a proposed operating revenue of \$18,000; the operating revenue of \$22,100 computed in Exhibit No. 12 will not be formally requested by the applicant because it would be a request for a further increase in rates without having given the required notice to all customers of the utility.

Position of the Commission Staff

An engineer testified for the Hydraulic Branch of the Utilities Division of this Commission. His report, computations and recommendations are included in Exhibit No. 4. His estimate of revenues includes revenues from water sales to affiliated interests, primarily the trailer court, apartments and swimming pool owned by applicant's principal stockholder, and from the Millview Farm Tract, none of which were included in applicant's estimate. He stated that his estimate of expenses is lower than applicant's because he was of the opinion that applicant's estimates for salaries and certain minor expense items were too high; because he used a 3 percent depreciation rate compared with the rate of 4.7

percent used by applicant; and because he excluded depreciation on what he considered to be nonutility plant, which applicant did not so exclude. His estimate of ad valorem taxes is lower than applicant's due to his exclusion of taxes applicable to nonutility plant.

The staff engineer testified that his rate base estimate reflects the exclusion of certain items of plant that he considered to be nonutility in character, consisting primarily of facilities located on private property which serve the trailer court, apartments and swimming pool referred to above. He stated that he made adjustments to the depreciation reserve to reflect this exclusion of non-utility plant and certain other adjustments. The staff's adjusted depreciation reserve was not contested by the applicant.

The staff witness further testified that up-to-date maps of the applicant's water system have never been filed with this Commission and that during his visits to the applicant's office, he was unable to discover any revenues listed from Hillview Farm Tract, one of the areas served by the applicant. The witness asserted that the records he reviewed failed to show any revenue collected for the water supplied to the trailer court, apartments and swimming pool owned by the principal stockholder of the applicant.

The staff engineer testified that his analysis indicated that the applicant actually would have realized about a 2 percent rate of return in 1960 and 1961 at present rates, had revenues, expenses and rate base been computed properly.

The estimated earnings computed by the staff and the applicant at the rates proposed by applicant are compared in the following table.

Comparison of Staff and Company  
Summary of Earnings  
1961 Estimated - Proposed Rates

<u>Item</u>	<u>Staff</u>	<u>Company</u>
Operating Revenues	\$36,320	\$18,000 <sup>a</sup>
Operating Expenses	7,350	10,000
Depreciation Expense	1,880	3,000
Taxes Other Than Income	640	796
Income Taxes	8,800	2,201
County Franchise Tax	460	360
Total Deductions	\$19,130	\$16,357
Net Revenues	17,190	1,643
Average Depreciated Rate Base	49,850	58,200
Rate of Return	34.5%	2.8% <sup>b</sup>

<sup>a</sup> Applicant's 1960 estimate assumed to be 1961 estimate also, due to fact of no customer growth.

<sup>b</sup> Calculated figure - not shown in application.

The Commission staff proposed the schedules of rates shown in Appendix A hereto. These rates would result in annual gross revenues estimated at \$16,100, an increase of approximately \$4,560, or 39.5 percent. The staff recommendation would increase the monthly rate for the average residential customer from \$3.50 to \$4.75.

Customer Complaints

Ten of applicant's customers testified regarding service problems, principally relating to alleged improper billing practices and difficulty in contacting a representative of applicant when repairs are required. Some of the customers were of the opinion that applicant's claim of operating at a loss is at least partly due to improper methods of billing and collection and that, even if applicant may be entitled to some raise in rates, an increase of over 200% is excessive.

The applicant presented additional evidence indicating that steps had been taken to rectify errors in billing practices and that part of the problem is caused by the fact that most of the houses

served are rented premises and the applicant is never informed when people move in or out.

Findings -

After consideration of all of the evidence, the Commission finds as follows:

Both applicant's and the staff's showings clearly indicate that sufficient revenues are not obtainable from the present rates.

The staff estimates of operating revenues, expenses, and rate base, as well as the rate schedules recommended by the staff, are reasonable and they are hereby adopted.

The increases in rates and charges authorized herein should produce approximately an eight percent return on the test year basis. Such increases are justified and reasonable, and the present rates and charges insofar as they differ from those herein prescribed are for the future unjust and unreasonable.

We further find that the request of the applicant to discontinue meter rates must be denied and the meter rates will be increased proportionately to the flat rates. We also must refuse to accept applicant's suggestion that a substantial reconnection fee be charged all customers whose water service has been discontinued due to violation of rules or nonpayment of bills. The Commission's General Order No. 103 sets forth the basis for discontinuance of service and the charges to be paid for reconnection.

We further find that the pipes and water mains located within the trailer court and apartment area owned by the principal stockholder of the applicant are not a part of the applicant's water system; and we find that the basis monthly flat rate should be charged all

"single family residential units, including premises", which do not exceed 9,000 square feet in area.

The request of the applicant that this Commission adopt a finding which would permit a utility to hold a landowner primarily responsible for water supplied to rented premises will be denied.

The recommendations of the Commission staff set forth in Paragraph No. 9 of Exhibit No. 4 should be adopted.

O R D E R

Sacramento Water Company, a California corporation, 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 with the Commission after the effective date of this order and in conformity with General Order No. 96-A, the schedules of rates attached to this order as Appendix A and, upon not less than five days' notice to the public and to this Commission, to make such rates effective for service rendered on and after October 1, 1962.

2. Applicant shall file with the Commission within forty-five days after the effective date of this order, in conformity with General Order No. 96-A and in a manner acceptable to the Commission, a revised tariff service area map, revised rules governing service to customers, and copies of printed forms that are normally used in conjunction with customers' services. Such tariff service area map, rules and forms shall become effective upon five days' notice



to the Commission and to the public after filing as hereinabove provided.

3. Applicant shall file with the Commission within sixty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 300 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.

4. Beginning with the year 1962, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of 3.0%. This rate shall be used until review indicates that it should be revised. Applicant shall review the depreciation rate, using the straight-line remaining life method, whenever substantial changes in utility plant composition occur and at intervals of not more than five years and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

5. On or before October 1, 1962, applicant shall install an appropriate system of records which will maintain the accounts of the water company separate from other business accounts and shall inform the Commission, in writing, of completion of such installation, within thirty days thereafter.

6. On or before December 1, 1962, applicant shall make a survey of the transmission and distribution mains and shall adjust future annual reports to agree with the records determined by the survey. A copy of such survey shall be filed with this Commission not later than December 15, 1962.

7. On or before October 15, 1962, applicant shall establish a record of informal complaints and the disposition thereof, pursuant to the provisions of General Order No. 103, and shall inform the Commission, in writing, that such record has been established, within ten days thereafter.

8. On or before October 15, 1962, applicant shall institute a program for monthly analysis, by an approved laboratory, of the sanitary quality of the water furnished to the customers, and shall report to the Commission, in writing, that such program has been instituted, within ten days thereafter.

9. On or before October 15, 1962, applicant shall subscribe to a telephone and request an appropriate listing to be made in the local telephone book and shall inform the Commission, in writing, within ten days after such service has been established.

10. Applicant's request to abandon metered service and to discontinue its meter rate schedule be, and it is hereby, denied.

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

Dated at San Francisco, California, this 21st day of AUGUST, 1962.

George B. Grover  
President

John J. [unclear]

[unclear]

Arnold [unclear]

Fredrick B. Holchoff  
Commissioners

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The areas known as McClellan Gardens Subdivision, portions of  
Lots Nos. 68, 69 and 71 of Oakdale Subdivision, Freeway Gardens,  
Airbase Meadows and Hillview Farms, and vicinity, located approximately  
eight miles northeast of Sacramento, Sacramento County. (T)

RATES

	Per Meter Per Month	
Quantity Rates:		
First 800 cu.ft. or less .....	\$ 4.20	(T)
Next 3,200 cu.ft., per 100 cu.ft. ....	0.38	
Over 4,000 cu.ft., per 100 cu.ft. ....	0.22	
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	4.20	
For 3/4-inch meter .....	5.50	
For 1-inch meter .....	9.00	
For 1 1/2-inch meter .....	17.00	
For 2-inch meter .....	23.00	
For 3-inch meter .....	38.00	
For 4-inch meter .....	58.00	(I)

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

The areas known as McClellan Gardens Subdivision, portions of Lots Nos. 68, 69 and 71 of Oakdale Subdivision, Freeway Gardens, Airbase Meadows and Hillview Farms, and vicinity, located approximately 8 miles northeast of Sacramento, Sacramento County.

RATES

	<u>Per Service Connection Per Month</u>	
1. For a single-family residential unit, including premises not exceeding 9,000 sq. ft. in area .....	\$ 4.50	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection .....	3.00	
b. For each 100 sq. ft. of premises in excess of 9,000 sq. ft. ....	.05	(I)
2. For each motel or trailer court, including first unit, office and utility rooms .....	4.50	(N)
a. For each additional unit .....	3.00	
3. For each service station or restaurant	7.50	
4. For each laundrette .....	15.00	(N)

(Continued)

Schedule No. 2

GENERAL FLAT RATE SERVICE

RATES (Continued)

	<u>Per Service Connection</u> <u>Per Month</u>	
5. For each evaporative-type cooler during the 6-month period, May through October:		
Circulating type .....	.50	(I)
Noncirculating type .....	1.00	(I)
6. For each swimming pool .....	1.50	(N)

SPECIAL CONDITIONS

1. All service not covered by the above classifications shall be furnished only on a metered basis. (T)  
(T)
2. For service covered by the above classifications, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service. (C)  
|  
(C)

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

The areas known as McClellan Gardens Subdivision, portions of Lots Nos. 68, 69 and 71 of Oakdale Subdivision, Freeway Gardens, Airbase Meadows and Hillview Farms, and vicinity, located approximately 8 miles northeast of Sacramento, Sacramento County.

RATE

	<u>Per Month</u>
For each hydrant .....	\$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. 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 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.