

TWENTY

Decision No. 64211

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
FRANCIS B. MATHEWS, dba OCCIDENTAL )  
WATER WORKS, for authority to increase )  
and change the rates of Occidental )  
Water Works, a water utility, under )  
Section 454 of the California Public )  
Utilities Code. )

Application No. 44266  
(Filed March 14, 1962)

Lafayette D. Mathews and Francis B. Mathews, for applicant.

Leamon L. Halley and Makim Pecelj, interested parties.

John D. Reader, for the Commission staff.

O P I N I O N

This application was heard before Examiner Carol T. Coffey at Occidental on June 14, 1962, on which date it was submitted. Copies of the application and the notice of hearing were served in accordance with the Commission's procedural rules. There are no protests.

System and Service Area

Applicant is Francis B. Mathews, doing business as Occidental Water Works, a water utility, serving the town of Occidental, Sonoma County. There are approximately 48 customers being served by gravity flow from two tanks filled from a number of springs and a horizontal well. As a result of supply and distribution system deficiencies, this Commission by Decision No. No. 63013 dated January 9, 1962, in Case No. 6465, ordered

applicant not to serve any customer or premises for which public utility water service was not actually being rendered on or before January 29, 1962. These deficiencies continue to exist. Applicant alleged in the application that no method of supplying water for the summer and fall months held any promise except trucking it in from regions which have an abundance. At the hearing, applicant disclosed the availability for purchase of a well with a capacity of 200 gallons per hour. At a cost of approximately \$6,000, applicant would have enough water to solve its supply problems. All services are now metered, except two which will be converted when the meters presently on hand are installed.

Applicant's Request and Rate Proposal

Applicant's present rates include a flat rate schedule of \$3.00 per month, which he intends to discontinue, and the following meter rate schedule:

RATES

	<u>Per Meter</u> <u>Per Month</u>
<b>Quantity Rates:</b>	
First 500 cu. ft. or less	\$ 2.90
Next 1,500 cu. ft., per 100 cu. ft. ....	.50
Over 2,000 cu. ft., per 100 cu. ft. ....	.30
<b>Minimum Charge:</b>	
For 5/8 x 3/4-inch meter .....	\$ 2.90
For 3/4-inch meter .....	5.00
For 1-inch meter .....	7.00

Applicant requests authorization to increase his rates as follows:

RATES

Per Meter  
Per Month

Quantity Rates:

First	500 cu. ft., per 100 cu. ft. ....	\$ 1.00
Next	1,000 cu. ft., per 100 cu. ft. ....	1.25
Over	1,500 cu. ft., per 100 cu. ft. ....	1.50

Service Charge:

For 5/8 x 3/4-inch meter ..... \$ 2.50

The progressively larger increases in the quantity rates with increased consumption are proposed to compensate for the high cost of supplementary water to be conveyed by trucks whenever during the five months the natural supply falls below the amount consumers may be expected to use if water were available. The schedule was proposed to encourage conservation of water.

A typical monthly bill for 700 cubic feet of water would be \$3.90 under present rates and \$10.00 under proposed rates, or an increase of 156 percent.

Results of Operation

Following are the estimates of results of operation made by applicant and the staff under both present and proposed rates:

SUMMARY OF EARNINGS  
Year 1962 Estimated

Item	Present Rates		Proposed Rates	
	:Applicant's Showing(a)	:CPUC Staff:Exh. No. 1:	:Applicant's Showing	:CPUC Staff:Exh. No. 1:
Operating Revenues	\$2,223	\$2,330	\$5,423	\$5,110
Operating Expenses	3,627	1,590	3,628	1,590
Depreciation Expense	274	280	274	280
Taxes Other Than Income	203	275	203	275
Income Taxes	-	30	-	620
Total Expenses	4,104	2,175	4,105	2,765
Net Revenue	(1,881)	155	1,318	2,345
Depreciated Rate Base	6,307	7,350	6,703	7,350
Rate of Return	Loss	2.1%	19.7%	31.9%

(Red Figure)

(a) Since no customer growth is assumed by the parties, applicant's showing was adjusted to reflect 1962 results by including salary for manager and cost of hauling water, and excluding interest.

Applicant estimated his hauled water expense to be \$1,995. Staff estimates do not include this amount but do include an allowance for income taxes. The staff rate base reflects an allowance for working cash, unrecorded additions to plant of meters and pumps and related retirements.

The evidence is convincing that at the present rates, as illustrated by the above tabulation, the applicant will operate at a loss if he renders adequate water utility service to consumers by hauling water. Without reflecting the cost of hauled water, the staff estimates indicate that the applicant is earning a lower than reasonable return if he were rendering adequate service.

The staff did not include the expense of hauling water inasmuch as it proposed a surcharge type of rate that would allocate to consumers and recover up to 80 percent of the actual cost of any required hauled water. The staff proposal would prorate the cost of additional water purchased by the utility to its customers in direct relation to the quantity of water used by each, over a consumption of 500 cubic feet during any month in which hauled water was required. The staff also reiterated its recommendations for the service improvements set forth in Case No. 6465, requiring plant additions of approximately \$2,000.

Applicant objected to the surcharge type of rate as being difficult to administer and to staff-recommended service improvements due to limited availability of funds. He indicated that he would not be able to finance the new well before the latter part of this year, that he was willing to accept a surcharge type of rate for this year and that he had no objection to limiting authorization of rates to one year.

The following tabulation indicates estimated 1962 operating results under rates to be authorized if no water is hauled and if applicant-estimated amounts are hauled. It also indicates revenue required to compensate applicant if the well is purchased and the service improved.

ADOPTED SUMMARIES OF EARNINGS  
Year 1962 Estimated

Item	: Water : Not Hauled:	: Water: : Hauled:	: New Well : and : New Well:	: Improved Service:
Operating Revenue:				
Quantity Rates	\$2,515	\$2,515	\$ 3,540	\$ 3,810
Surcharge	-	2,000	-	-
Total Operating Revenue	2,515	4,515	3,540	3,810
Operating Expenses (excl. hauling)	1,590	1,590	1,610	1,610
Water Hauling Expense	-	2,000	-	-
Depreciation Expense	280	280	455	520
Taxes Other Than Income	275	275	330	365
Income Taxes	75	75	220	255
Total Expenses	2,220	4,220	2,615	2,750
Net Revenue	295	295	925	1,060
Depreciated Rate Base	7,350	7,350	13,225	15,175
Rate of Return	4.0%	4.0%	7.0%	7.0%

The Commission finds the applicant is entitled to increased revenue if he obtains an adequate supply of water and improves service. The order will provide for the filing of temporary rates to compensate for the expense of hauling water and for alternate rates after plant improvements have been installed to the satisfaction of the Commission, as follows:

Item	Per Meter Per Month			
	Present Rates	Existing System	Appendix "A" : New Well	Appendix "B" : Improved Service
			Appendix "C" : New Well and Improved Service	

## Quantity Rates:

First 500 cu.ft. or less	\$2.90	\$3.10	\$ 4.50	\$ 4.85
Next 1500 cu.ft., per 100 cu.ft.	.50	.55	.70	.75
Over 2000 cu.ft., per 100 cu.ft.	.30	.45	.55	.60

## Minimum Charge:

For 5/8 x 3/4-inch meter	\$2.90	\$3.10	\$ 4.50	\$ 4.85
For 3/4-inch meter	5.00	5.00	6.50	7.00
For 1-inch meter	7.00	7.00	10.00	11.00

## Typical Bills:

Monthly Bill - 500 cu.ft.	\$2.90	\$3.10	\$ 4.50	\$ 4.85
% Increase	-	7%	55%	67%
Monthly Bill - 700 cu.ft.	\$3.90	\$9.80	\$ 5.90	\$ 6.35
% Increase	-	151%	51%	63%

\* Rates in Appendix "A" contain a surcharge for those customers using over the 500 cu.ft. minimum when and if water is hauled.

The Commission finds that the estimates of operating revenues, expenses, including taxes and depreciation, and the rate bases as set forth in the tabulation of adopted summaries of earnings, reasonably represent the results of applicant's operations and they are adopted for the purposes of this proceeding.

Further, the Commission finds a rate of return of approximately 7.0 percent, when related to the adopted rate bases, is fair and reasonable for the operations of this system if reasonable service is rendered. Without supply and service improvements the rate of return will be approximately 4.0 percent. If applicant does not purchase the available well and secure an adequate supply, this operation will not justify a full rate of return. Therefore, the order will provide that if the supply is not improved within one year present rates will be refiled.

We find, therefore, that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that 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

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

IT IS ORDERED that:

- 1.(a) Applicant is authorized to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedule of rates attached to this order as Appendix A and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after September 16, 1962.
  - (b) Concurrently with the filing authorized herein, applicant is authorized to withdraw and cancel, by appropriate advice letter, its presently effective Schedule No. 2, General Flat Rate Service.
  - (c) If applicant, within one year after the effective date of this order, does not perform the conditions specified in paragraphs 2, 3 and 4 of this order then applicant shall file with this Commission, within one year after the effective date of this order and in conformity with General Order No. 96-A, the schedule of rates in effect prior to the effective date of this order, with the exception of Schedule No. 2, General Flat Rate Service, and upon 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 September 16, 1963.
2. Upon connection to applicant's water system of a well and showing to the satisfaction of the Commission that it has adequate capacity to supply applicant's present and future customers, applicant is authorized to file in conformity with General

Order No. 96-A, the schedule of rates attached to this order as Appendix B and, upon supplemental order of this Commission, to make such rates effective pursuant to such supplemental order; provided, however, that the authority contained in this ordering paragraph will expire if not exercised within one year after the effective date of this order.

3. On or before December 1, 1962, applicant shall submit to the Commission a written report setting forth in detail the estimated cost of installation, the financial arrangements involved, and the probable date of completion of the installation of each of the following facilities recommended by the staff in Case No. 6465 and deemed necessary for the provision of water for domestic use:

- (a) The existing 2,000-gallon storage tank on the east side of town to be supplemented by at least 3,000 gallons of storage at a site approximately 20 feet higher than the existing tank.
- (b) The pipeline from the new 5,000-gallon tank to its point of connection with the existing  $1\frac{1}{2}$ -inch pipeline to be 2-inch line.
- (c) Subject to a utility investigation of the size and location of the existing pipelines connecting the distribution systems on the east and west sides of town, approximately 400 feet of small pipe in E. Front and Second Streets to be replaced with not less than 2-inch pipe.

4. Upon completion of the installation of the improvements listed in the preceding ordering paragraphs 2 and 3 to the satisfaction of this Commission, applicant is authorized to file in conformity with General Order No. 96-A, the schedule of rates attached to this order as Appendix C and, upon supplemental order of this Commission, to make such rates effective pursuant to such



supplemental order; provided, however, that the authority contained in this ordering paragraph will expire if not exercised within one year after the effective date of this order.

5. Within sixty days after the effective date of this order, applicant shall file with the Commission four copies of a comprehensive map drawn to an indicated scale of not more than 400 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.

6. Beginning with the year 1962, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 3.2 percent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method when major 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 this Commission.

7. Upon each purchase of water delivered to the distribution system by means of the contracted tank truck, applicant shall notify the sanitarian of the Sonoma County Department of Public Health so that necessary samples of water may be collected and tested by this governmental agency.

8. On or before October 1, 1962, applicant shall have completed 100 percent metering of Occidental Water Works' customers and shall so notify this Commission, in writing, within ten days thereafter.

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

Dated at San Francisco, California, this 6<sup>th</sup> day of SEPTEMBER, 1962.

George L. Grover  
President

Ernest B. Page

Frederick B. Halbluff

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

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

APPENDIX A  
Page 1 of 3

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Occidental and vicinity, Sonoma County.

(T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft. or less . . . . .	\$ 3.10	(I)
Next 1,500 cu.ft., per 100 cu.ft. . . . .	.55	
Over 2,000 cu.ft., per 100 cu.ft. . . . .	.45	
Minimum Charge:		
For 5/8 x 3/4-inch meter . . . . .	\$ 3.10	(I)
For 3/4-inch meter . . . . .	5.00	
For 1-inch meter . . . . .	7.00	

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

SPECIAL CONDITION

1. During the months of September through November, for the year 1962 only, if additional water must be hauled by tank truck to supplement the utility's water supply, an extra charge will be computed and added to customer's bills subject to the following restrictions and method of computation, respectively:

A. Restrictions

1. The total cost for such additional water, but not exceeding a cost of \$8.75 per 1,000 gallons, shall be recovered by the utility.

(Continued)

(N)

(N)

APPENDIX A  
Page 2 of 3

Schedule No. 1

GENERAL METERED SERVICE

SPECIAL CONDITION (Contd.)

(N)

2. No such extra charge shall be made to any customer for additional water purchased by the utility for any consumption of 500 cubic feet per month or less.
3. Public notice of the utility's intention to purchase supplemental water during a stated month shall be posted in at least three locations in and about Occidental twenty-four hours prior to purchase and delivery.
4. On all invoices for purchased water, the utility shall require the carrier to designate the total number of gallons delivered, date of delivery, and the total charges to the utility for such delivery.

B. Method of Computation

1. Adjusted cost of water purchased:

- a. Prepare a list showing each customer (along with his respective consumption) whose consumption for the month is in excess of 500 cubic feet.
- b. Determine total accumulative consumption in excess of 500 cubic feet, in Ccf for the month, for all of these customers. (Denoted by A)
- c. From the carrier's invoice, determine the number of gallons purchased in thousands. (Denoted by B)
- d. Cost to be prorated to customers.  
Prorate amount = \$8.75\* x B
- e. Cost to be prorated, in dollars per 100 cubic feet. (Denoted by C)  
$$C = \frac{\$8.75* \times B}{A}$$

\* \$8.75 per 1,000 gallons, or actual cost, whichever is less.

(N)

(Continued)

Schedule No. 1

GENERAL METERED SERVICE

SPECIAL CONDITION (Contd.)

2. Pro rata charges (in addition to normal bill).
  - a. Determine individual customer's consumption in excess of 500 cubic feet. (Denoted by D)
  - b. Customer's pro rata charge. (Denoted by E)

$$E = C \times D$$

(N)

(N)

APPENDIX B

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Occidental and vicinity, Sonoma County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 500 cu.ft. or less . . . . .	\$ 4.50	(I)   (I)
Next 1,500 cu.ft., per 100 cu.ft. . . . .	.70	
Over 2,000 cu.ft., per 100 cu.ft. . . . .	.55	
 Minimum Charge:		
For 5/8 x 3/4-inch meter . . . . .	\$ 4.50	(I)
For 3/4-inch meter . . . . .	6.50	
For 1-inch meter . . . . .	10.00	

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

APPENDIX C

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Occidental and vicinity, Sonoma County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft. or less . . . . .	\$ 4.85	(I)   (I)
Next 1,500 cu.ft., per 100 cu.ft. . . . .	.75	
Over 2,000 cu.ft., per 100 cu.ft. . . . .	.60	
Minimum Charge:		
For 5/8 x 3/4-inch meter . . . . .	\$ 4.85	(I)
For 3/4-inch meter . . . . .	7.00	
For 1-inch meter . . . . .	11.00	

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