

**ORIGINAL**

Decision No. 652S7

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of MIRA LOMA WATER CO. for authority  
to increase rates charged by it for  
water service.

)  
) Application No. 44929  
) (Filed November 8, 1962)

O P I N I O N

Applicant requests authority to increase its rates for water service to approximately 82 customers in Mira Loma Village, Riverside County. The proposed rates would represent a 100% increase in all charges, and a typical customer with a 3/4 inch service connection now paying \$3.65 a month for flat rate service would pay \$7.30 a month.

Applicant alleges that its present charges for water service are insufficient to meet expenses and shows, in Exhibit G attached to the application, for the year ending September 30, 1962, a loss in net income of about \$3,389.

A report of a staff engineer's field investigation and analysis of applicant's operations is summarized in a memorandum dated February 27, 1963, and is hereby received as Exhibit 1 in this proceeding.

A comparison of the staff's and applicant's estimated operating results for 1963 at present and proposed flat rates may be summarized as follows:

Summary of Earnings  
Year 1963 Estimated at Present and Proposed Flat Rates

	<u>Staff</u>		<u>Applicant</u>
	<u>Present</u>	<u>Proposed</u>	<u>Proposed</u>
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
Revenues	\$ 3,750	\$ 7,500	\$ 7,504
<u>Deductions</u>			
Operating Expenses	3,230	3,230	3,520
Depreciation	1,440	1,440	1,570
Taxes other than on Income	1,280	1,280	1,720
Taxes Based on Income	100	450	-
Total Deductions	<u>6,050</u>	<u>6,400</u>	<u>6,810</u>
Utility Net Revenue	(2,300)	1,100	694
Interest on Notes	-	-	270
Net Revenue	(2,300)	1,100	424
Rate Base	27,530	27,530	42,630
Rate of Return	-	4.0%	1.0%

(Red Figure)

Both the staff's and applicant's estimates reflect no anticipated customer growth during the estimated year 1963. The principal differences between the two estimates arise from the treatment of rate base. The staff excluded from rate base \$14,900 for mains, services, and hydrants installed in Tract No. 2 as no customers are served in that tract and it is anticipated that no customers will be served in that area in the near future. This adjustment also is carried forward into ad valorem taxes and depreciation expense.

Certain other differences may be noted in expenses, wherein, for example, the staff provided for both State and Federal income tax payments, whereas applicant did not include any amount

for these taxes but deducted interest payments on notes as an expense in determining net revenue.

No customers are served under applicant's present rates for general metered service. The staff estimates that if all customers were served under the proposed rates for metered service, it would be necessary for applicant to install about \$4,000 in meters and accessory utility plant, and a rate of return of 9.3% would be realized. The staff recommends that any revised rates for metered service should be made compatible with rates for flat rate service.

In the course of the staff's investigation, plant and facilities were inspected, customers were interviewed, and company records were analyzed. The engineer reported that pressure readings indicated a system pressure range from 25 to 50 pounds per square inch and the water was clear when observed. Customers have complained, however, of low pressure and the staff recommends that applicant be required to take proper action to insure that pressure is increased as necessary to furnish water service within the limits of pressure prescribed by General Order No. 103.

Based upon a review of the record the Commission finds as follows:

1. The revenues obtainable from the present rates are deficient.
2. The estimates of operating revenues, expenses, including taxes and depreciation, and rate base developed by the staff for the year 1963 are reasonable and should be adopted for the purposes of this proceeding.
3. Applicant is entitled to rate relief at the level

requested for flat rate service but for metered service the rates should be substantially lower than those requested; meter rates should be designed to produce the same rate of return as the flat rate schedule.

4. 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.

5. The staff recommendations concerning depreciation methods, the filing of maps and revised rules, and action to be taken to improve water pressure are reasonable.

6. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Applicant, Mira Loma Water Company, a corporation, is authorized to file with this 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 Commission and to the public, to make such rates effective for service rendered on and after June 1, 1963.

2. Within forty-five days after the effective date of this order, applicant shall file with the Commission, in conformity with General Order No. 96-A, and in a manner acceptable to the Commission, revised rules governing service to customers and a revised tariff service area map. Such rules and tariff service

area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. 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.

4. Beginning with the year 1963, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 3.0%. Applicant shall review its 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 July 1, 1963, applicant shall increase the pressure settings of the controls of the booster pumps to provide

minimum service pressure in excess of 25 pounds per square inch during periods of peak usage.

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

Dated at San Francisco, California, this 10<sup>th</sup> day of MAY, 1963.

George H. Grover  
President  
John S. [unclear]  
Arthur [unclear]  
William W. Bennett

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Commissioners

Commissioner Frederick E. 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

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Mira Loma Village Tract No. 1 and Tract No. 2,  
Mira Loma, Riverside County. (T)  
(T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 900 cu. ft. or less .....	\$ 3.90	(I)
Next 1,000 cu. ft., per 100 cu. ft. ....	.37	
Next 1,100 cu. ft., per 100 cu. ft. ....	.30	
Over 3,000 cu. ft., per 100 cul ft. ....	.22	(I)
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 3.90	(I)
For 3/4-inch meter .....	5.70	
For 1-inch meter .....	9.00	
For 1½-inch meter .....	15.00	
For 2-inch meter .....	22.00	(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. (T)

TERRITORY

The area known as Mira Loma Village Tract No. 1 and Tract No. 2,  
Mira Loma, Riverside County. (T)  
(T)

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For each 3/4-inch service connection ....	\$ 7.30	(I)
For each 1-inch service connection ....	14.00	
For each 1½-inch service connection ....	22.00	
For each 2-inch service connection ....	34.00	(I)

SPECIAL CONDITIONS

1. All service not covered by the above classifications shall  
be furnished only on a metered basis. (T)

2. For service covered by the above classifications, if the  
utility or the customer so elects, a meter shall be installed and ser-  
vice provided under Schedule No. 1, General Metered Service. (T)