

**ORIGINAL**Decision No. 65379

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 DAROLD W. and MARION MAC DANNALD, )  
 doing business as the KEYES WATER )  
 COMPANY, for an order for the )  
 approval of an adjustment in the )  
 water rates for the said KEYES )  
 WATER COMPANY in the County of )  
 Stanislaus, State of California. )

Application No. 44779  
 (Filed September 13, 1962)

D. W. Mac Dannald, for applicants.

Mrs. Jean Vincent, interested party.

L. L. Thornd and John D. Reader,  
 for the Commission staff.

O P I N I O N

Public hearing was held before Examiner Power at Keyes on January 15, 1963, and the matter was submitted subject to two late-filed exhibits. These have been received and the matter is ready for decision.

The unincorporated community of Keyes, Stanislaus County is located on the San Joaquin Valley main line of Southern Pacific Company and U.S. Highway 99 about seven miles southeast of Modesto and five miles northwest of Turlock.

Keyes Water Company is a proprietorship of Mr. and Mrs. Mac Dannald. It serves approximately 335 customers, all at flat rates.

The company has two basic flat rates. For a 3/4-inch service the present charge is \$2.75 per month and for a 1-inch service, \$3.50. Applicants seek authority to increase these rates to \$3.75 and \$4.75 per month, respectively.

A staff study prepared by the Commission's Utilities and Finance and Accounts Divisions (Exhibit 3) together with two supplements to it (Nos. 4 and 6) must form the basis of our decision. The presentation by the utility was inadequate in many ways.

For one thing, applicants' revenue figures are based on actual collections. Since it developed at the hearing that service has been inadequately policed, it is clear that on that account applicants have lost revenue to which they were entitled. For another thing, some \$1,916.67 of plant, physically retired, had not been retired on the books. For a third, applicants calculated no income tax. For a fourth, items were charged to current expenses that should have been capitalized. For a fifth, accounts have not been kept in accordance with the Commission's Uniform System of Accounts for Water Systems. As an apparent result of the last-mentioned deficiency, annual reports have been filed late in every year for the last 12 years (1950-1961, inclusive). The earliest filing was June 11, 1956 (1955 report) and the most tardy, October 13, 1951 (1950 report).

Using the staff figures as a basis it appears that present rates will result in a loss for the test year 1963 and are therefore too low. Proposed rates would yield 15.4% on the staff rate base of \$19,270 for 1963 and are, therefore, too high. It appears that an increase of approximately \$2,140 or 20.4% would yield approximately 6.8%, which we find to be a reasonable rate of return. Results of operations at the three levels of rates for the test year (1963) may be compared as follows:

	<u>Present Rates</u>	<u>Adopted Rates</u>	<u>Proposed Rates</u>
Total Operating Revenue	\$10,470	\$12,610	\$14,750
Less:			
Operating Expenses, including depreciation	11,030	11,030	11,030
Taxes on Income	-	270	750
Total Operating Expenses	\$11,030	\$11,300	\$11,780
Net Operating Revenue	<u>(560)</u>	<u>1,310</u>	<u>2,970</u>
Return on Rate Base	Loss	6.8%	15.4%
Percentage Increase in Gross Revenue	None	20.5%	40.9%
Basic Residential Flat Rate	\$2.75	\$3.25	\$3.75

The order following will increase the flat rate for a 1-inch service from \$3.50 to \$4.10 per month or 17.14%. There are now two services on this rate. The schedule of metered rates will be increased to maintain its present relationship with the flat rates. There are no metered services at present but both the utility and the customer have the privilege of electing such rates.

The Commission finds that:

1. The estimates of operating revenues, expenses, including taxes and depreciation, and the rate bases as submitted by the staff for the year 1963 reasonably represent the results of applicants' operations for the purposes of this proceeding.
2. 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.
3. Applicants have not maintained their books of account in accordance with the Commission's Uniform System of Accounts provided for water utilities of this size and type.

4. Applicants' annual reports for the years 1950-1961, inclusive, have been filed after the respective dates on which they were due.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicants are authorized to file with this Commission, 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 16, 1963.

2. Within forty-five days after the effective date of this order, applicants shall file with this Commission, in conformity with General Order No. 96-A and in a manner acceptable to the Commission, revised rules governing service to customers, a tariff service area map, and copies of printed forms normally used in connection with customers' services. After having been so filed, such rules, map and forms shall become effective upon five days' notice to the Commission and to the public.

3. Within sixty days after the effective date of this order, applicants 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 applicants.

4. Beginning with the year 1963, applicants shall determine depreciation expense by multiplying depreciable utility plant by a rate of 3.0%. Applicants 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. Applicants shall have installed and placed in operation suitable automatic pressure controls for either their No. 2 or No. 3 well pump on or before July 1, 1963, and shall inform the Commission, in writing, when this has been accomplished, within ten days thereafter.

6. Within ninety days after the effective date of this order in this proceeding, applicants shall notify the Commission, in writing, of the steps they have taken to comply with the accounting requirements contained in the Uniform System of Accounts prescribed for water utilities of the appropriate class.

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

Dated at San Francisco, California, this 14<sup>th</sup> day of MAY 1, 1963.

George G. Thayer  
President

Frederick B. Hallock

William W. Bennett

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Commissioners

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

APPENDIX A  
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Schedule No. 1

(T)

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Keyes, Stanislaus County.

(T)

RATES

Quantity Rates:

Per Meter  
Per Month

First 800 cu.ft. or less .....	\$ 2.60	(I)
Next 1,200 cu.ft., per 100 cu.ft. ....	.30	
Next 3,000 cu.ft., per 100 cu.ft. ....	.25	
Over 5,000 cu.ft., per 100 cu.ft. ....	.20	

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 2.60	
For 3/4-inch meter .....	3.90	
For 1-inch meter .....	6.50	
For 1 1/2-inch meter .....	12.00	
For 2-inch meter .....	18.00	(I)

(D)

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

(T)

(T)

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Keyes, Stanislaus County.

RATES

Per Service Connection  
Per Month

1. For each single-family residential unit, first unit of multi-unit dwelling, or business establishment including premises not exceeding 7,200 sq.ft. in area and served from:			
3/4-inch service connection .....	\$3.25		(I)
1-inch service connection .....	4.10		
a. For each additional residential unit on the same premises and served from the same service connection .....	1.10		(I)
b. For each 100 sq.ft. of premises in excess of 7,200 sq.ft. during the six-month period, April through September .....	.02		(N)
c. For each evaporative cooler during the five-month period, May through September:			
Circulating type .....	.25		
Noncirculating type .....	.75		(N)

(Continued)

Schedule No. 2

GENERAL FLAT RATE SERVICE  
(Continued)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter. (N)
2. All service not covered by the above classifications shall be furnished only on a metered basis. (N)
3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service. (T)  
(T)

Schedule No. 5

(N)

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

Keyes, Stanislaus County.

(N)

RATE

Per Month

For each hydrant ..... \$1.00

(L)

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.

(N)

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.

(N)