

ORIGINAL

Decision No. 65897

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SUISUN VALLEY WATER COMPANY, a corporation, for an Order, under Section 454 of the Public Utilities Code, authorizing an increase in water rates.

Application No. 45375
(Filed April 24, 1963)

O P I N I O N

Applicant requests an increase of about 70 percent in rates, established on certification in 1954 (Decision No. 50153, Application No. 35261), for water service presently rendered to some 26 customers in Willotta Oaks Subdivision, near Fairfield, Solano County.

A notice of the proposed increase, sent by applicant to its customers at the Commission's request, drew response from a majority indicating dissatisfaction with low pressures, hard water, sand or sediment in the water, and the level of the proposed rates.

The only issue concerns the reasonableness of the requested rates in light of what the consumers are entitled to expect in the way of reasonably adequate service from this system and of what the company may properly require in order to provide it. In accordance with Commission procedure in rate applications by small water utilities, the issue will be resolved from a consideration of the application and its attached exhibits and of a staff engineer's report of a field investigation in June, 1963, during which he inspected the company's plant and facilities, reviewed its records and interviewed the consumers. That report, dated July 1, 1963, is included in the record herein as Exhibit 1. We do not consider a public hearing to be necessary.

The record shows that the system, described in the application and the engineer's report, was installed in 1954 to serve Willotta Oaks Subdivision, which, when fully developed, will have about 30 residences on lots of from one-third to one-half acre in size. The residences are substantial and most have large garden or lawn areas that require considerable irrigation. All services, except one supplying minimal domestic needs of a nearby packing plant, are metered. The utility served about 12 customers at the end of 1958 and by December 31, 1962 the number had increased to approximately 24, an average increase of about three customers per year.

Staff analysis of results of operation at present and proposed rates indicates that applicant would realize a net revenue of about \$230 for 1963 under present rates, after making certain adjustments to revenues and expenses. Under the same conditions, the proposed rates would yield a net revenue of about \$1,630. The following condensed tabulation shows comparisons between applicant's and the staff's estimates under present and proposed rates for 1963 (from Exhibit 1).

Item	Staff		Applicant	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$2,910	\$4,950	\$3,000.00	\$5,413.22
Deductions, including Operating Expenses Depr. Expense and Taxes	2,680	3,320	3,653.22	4,180.72
Net Revenues	230	1,630	(653.22)	1,232.50
Avg. Depr. Rate Base	15,670	15,670	15,353.01	15,353.01
Rate of Return	1.5%	10.4%	Loss	8.04%

Red Figure

Differences between the staff's and applicant's estimates occur in the items of operating revenues and expenses, taxes, utility plant and rate base. Both applicant and the staff computed depreciation expense by the straight-line remaining life method using a depreciation rate of 3.1 percent, and both estimated the average depreciation reserve for 1963 at approximately \$2,950. The differences in the estimates are described in detail in the staff engineer's report. The staff's estimates, shown in Exhibit 1, while adopted as reasonable for the purposes of this proceeding, will be modified to provide for increased rates designed to produce gross revenues of about \$4,550 if such rates were in effect for the full year 1963. The following table summarizes estimated results for the test year of 1963 on the modified basis.

<u>Item</u>	<u>At Staff Suggested Rates</u>
Operating Revenues	\$ 4,550
Operating Expenses	1,760
Depreciation Expense	540
Taxes Other Than on Income	180
Income Taxes	700
Net Revenues	1,370
Average Depreciated Rate Base	15,670
Rate of Return	8.7%

We hereby adopt the operating results shown in the foregoing tabulation and find such operating results, including the items of rate base and rate of return, to be reasonable for the purposes of this proceeding.

Although it is not possible to select a typical bill for a metered utility with so few customers and wide range of consumption, the rates to be authorized herein are estimated to result in an increase of approximately 56 percent.

Investigation of customers' complaints revealed that while the system appears to be adequate to serve present and potential customers, it is probable that demand for water during periods of heavy irrigation may approach the utility's production capacity of about 160-180 gpm, resulting in what customers have described as "low pressure". With respect to complaints about "hard water", this seems to be an inherent problem in the area and one that cannot be remedied without major additions to plant and operating expenses. Investigation of the sand and sediment problem indicated that the customers were divided on whether the condition still existed. It appears that although one of the system's two wells had been pumping sand, a new pump was installed and the well cleaned out in 1962 and that the sand problem no longer exists. Applicant has a water supply permit from the Solano County Health Department and its water samples, tested by the department every other month, have been uniformly satisfactory.

We find 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

IT IS ORDERED that:

1. Applicant, Suisun Valley 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 October 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 copies of printed forms normally used in connection with customers' services, Such rules and forms shall become effective upon five days' notice to the Commission and to the public.

3. Beginning with the year 1963, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 3.1 percent. Applicant shall continue to 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.

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

Dated at San Francisco, California, this 20th day of AUGUST, 1963.

William B. Bennett
President

Edward W. Page

George L. Thover

Frederick B. Hallock
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Willotta Oaks Subdivision, located approximately 3½ miles southwest of Fairfield, Solano County. (T)

RATES

	<u>Per Meter Per Month</u>	
Quantity Rates:		
First 800 cu.ft. or less	\$ 4.20	(I)
Next 2,000 cu.ft., per 100 cu.ft.50	
Next 2,200 cu.ft., per 100 cu.ft.35	
Over 5,000 cu.ft., per 100 cu.ft.22	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 4.20	(I)
For 3/4-inch meter	5.50	
For 1-inch meter	8.00	
For 1½-inch meter	11.00	
For 2-inch meter	20.00	
For 3-inch meter	40.00	
For 4-inch meter	60.00	

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

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Schedule No. 2

GENERAL FLAT RATE SERVICE

(T)

APPLICABILITY

Applicable to all flat rate water service.

(T)

TERRITORY

The area known as Willotta Oaks Subdivision, located approximately 3 1/2 miles southwest of Fairfield, Solano County.

(T)

(T)

RATES

	<u>Per Month</u>	
For each 3/4-inch service connection	\$ 6.00	(I)
For each 1-inch service connection	9.00	
For each 1 1/2-inch service connection	10.50	
For each 1 1/2-inch service connection	12.00	
For each 2-inch service connection	21.00	(I)

SPECIAL CONDITIONS

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

2. 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.

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