

ORIGINAL

Decision No. 66176

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

The Application of L. H. Penix and Jane Penix, doing business as Kettleman City Water System, for an order approving an adjustment in the water rates for the Kettleman City Water System, Kings County, California.

Application No. 44948

Daniel M. Fadenrecht, for applicant.  
Dan P. Hill, for protestant.  
John D. Reader, for the Commission staff.

O P I N I O N

Applicants, L. H. Penix and Jane Penix, doing business as Kettleman City Water System, seek authority to increase their rates for water service.

A duly noticed public hearing was held in this matter before Examiner Jarvis at Kettleman City on June 12, 1963, and it was submitted on that date.

Applicants' water system serves approximately 122 customers in the vicinity of Kettleman City. Applicants contend that they suffered a net loss of \$3,827 during 1962, and they seek herein authority to increase their rates approximately seventy-five percent. A comparison of present and proposed rates is as follows:

GENERAL METERED SERVICE

<u>Item</u>	<u>Present</u>	<u>Proposed</u>	<u>Increase</u>	
	<u>Rates</u>	<u>Rates</u>	<u>Amt.</u>	<u>Percent</u>
<u>Monthly Quantity Rates</u>				
First 700 cu.ft. or less	\$3.00	\$5.25	\$2.25	75
Second 1,200 cu.ft. per 100 cu.ft.	.25	.40	.15	60
Third, over 2,500 cu.ft. per 100 cu.ft.	.20	.35	.15	75
<u>Minimum Charge</u>				
For 5/8 x 3/4 inch meter	3.00	5.25	2.25	75
For 3/4 inch meter	4.00	7.00	3.00	75
For 1 inch meter	4.50	8.00	3.50	78
For 1 1/2 inch meter	6.00	11.50	5.50	92
For 2 inch meter	8.00	14.00	6.00	75

Applicants and the Commission staff presented data showing adjusted and estimated results of operation for the estimated year 1963. In addition, the staff recommended that certain additions and modifications be made to the system, which will be hereinafter considered, and adjustments were made for the suggested additions and modifications in the staff's estimated operating results for 1963. The results of operations are compared in the following tabulation:

<u>Item</u>	<u>Staff</u>		<u>Company*</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$7,505	\$12,730	\$7,435	\$13,026
<u>Deductions</u>				
Operating Expense	5,860	5,860	9,292	9,292
Depreciation Expense	1,075	1,075	1,649	1,649
Taxes Other Than Income	535	535	412	412
Income Taxes	10	1,230	-	400
Total Deductions	7,480	8,700	11,353	11,753
Net Revenue	25	4,030	(3,918)	1,273
Rate Base	21,700	21,700	21,187	21,187
Rate of Return	0.1%	18.6%	-	6.0%

(Red Figure)

\* Company's estimates are derived from amounts shown in the application, which appear to be for the year 1961 as recorded, but with adjustments to reflect increased expenses.

Some of applicants' customers attended the hearing, and five of them made sworn statements which, generally, complained of the lack of pressure for the water furnished them. None of the customers protested against granting applicants a reasonable increase in rates. The staff presented a report which, among other things, recommended that applicants install a pressure system and certain pipe to eliminate dead ends which would help correct the pressure problems.

The Commission makes the following findings of fact and conclusions of law in this matter:

Findings of Fact

The Commission finds that:

1. Applicants are in need of increased revenues.
2. The staff's estimated average depreciated rate base for the purposes of this decision is \$21,700 which we find to be reasonable. ✓
3. The sum of \$10,285 as gross revenues on basis of 1963 test year is reasonably required to operate applicants' water system. These gross revenues should result in \$2,203 of net revenues after taxes which, when applied to the rate base herein found reasonable, will result in a reasonable rate of return.
4. The increases in rates and charges authorized by this decision are justified, the rates and charges set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable. ✓
5. Various portions of applicants' water system have low operating pressures. This condition could be improved by the installation of a pressure system with a centrifugal pump and pressure ✓

tank and the installation of 300 feet of pipe, not smaller than three inches in diameter, along Milham Avenue to connect the mains on Maud, Second and Third Streets with the main in the easement between Fourth and Fifth Streets.

6. A depreciation rate of 2.5 percent, applied to depreciable utility plant, is reasonable for this system, until review indicates such rate should be revised.

Conclusions of Law

1. Applicants should be authorized to establish a schedule of rates sufficient to give them gross revenues of \$10,285 per year on basis of 1963 test year.

2. Applicants should be ordered to install and place in operation:

(a) A pressure system with centrifugal pump and pressure tank.

(b) Three hundred feet of pipe, not smaller than three inches in diameter, along Milham Avenue to connect the mains on Maud, Second and Third Streets with the main installed in the easement between Fourth and Fifth Streets.

3. Applicants should be ordered to determine depreciation expense by multiplying the depreciable utility plant by a rate of 2.5 percent until review indicates it should be revised.

O R D E R

IT IS ORDERED that:

1. Applicants, L. H. Penix and Jane Penix, doing business as Kettleman City Water System, are 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 November 16, 1963.

2. Within forty-five days after the effective date of this order, applicants 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, a revised tariff service area map and copies of printed forms normally used in connection with customers' services. Such rules, tariff service area map and forms 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, 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 the depreciable utility plant by a rate of 2.5 percent. This rate shall be used until review indicates it should be revised. Applicants shall review the depreciation rate using the straight-line remaining life method when substantial changes in utility plant composition occur and at intervals of not more than five years, and shall revise the above rates in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

5. Within thirty days after the effective date of this order, applicants shall establish and maintain 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.

6. Within sixty days after the effective date of this order, applicants shall install a main of not less than three inches in diameter along Milham Avenue from Maud Street 300 feet, more or less, south to the main installed in the easement between Fourth and Fifth Streets. This main shall also connect with the mains on Second and Third Streets. Applicants shall inform the Commission, in writing, within ten days after the completion of the installation.

7. Within sixty days after the effective date of this order, applicants shall install a pressure boosting unit, consisting of a pump with a pressure tank and a pressure setting range varying approximately between 30 and 50 pounds per square inch, at an appropriate location on the water system. Applicants shall inform the Commission, in writing, within ten days after the completion of this installation.

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

Dated at San Francisco, California, this 22<sup>nd</sup> day of OCTOBER, 1963.

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President

*[Signature]*

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*George T. Grover*

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*Friedrich B. Halbach*  
Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Kettleman City and vicinity, Kings County.

(T)

RATES

Per Meter  
Per Month

Quantity Rates:

First 700 cu.ft. or less .....	\$ 4.10
Next 1,800 cu.ft., per 100 cu.ft. ....	.35
Over 2,500 cu.ft., per 100 cu.ft. ....	.26

(I)

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 4.10
For 3/4-inch meter .....	5.50
For 1-inch meter .....	8.00
For 1 1/2-inch meter .....	11.50
For 2-inch meter .....	14.00

(I)

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

Schedule No. 5

(T)

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

Kettleman City and vicinity, Kings County.

(T)

RATE

For each hydrant .....	<u>Per Month</u> \$ 1.50
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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 ownership, type and the size of hydrant and the specific location at which each is to be installed. (N)
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.