

66741

**ORIGINAL**

Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 JOSEPHINE FEDELE and ANGELINA OGNIBENE,  
 copartners, doing business as the  
 CEDAR HEIGHTS WATER SYSTEM for authority  
 to increase rates for water service  
 rendered.

Application No. 45608  
 (Filed July 22, 1963)

O P I N I O N

Applicants commenced this proceeding on July 22, 1963. They request authority to increase their water rates. They propose an increase in their basic flat rate from \$2.75 to \$3.00 with meter rates to be increased in proportion.

An engineer on the staff of the Commission's Hydraulic Branch made a field survey as a result of this application. A copy of his report is hereby included in the record as Exhibit No. 1.

The source of supply consists of two wells, each approximately 180 feet deep with a 12-inch casing. Water is pumped from each well by a Fairbanks Morse unit powered by a 15 hp motor. Water from one of the wells is pumped directly into the distribution mains, whereas water from the other is first pumped into a 3,500-gallon steel pressure tank. Pressure controls at the tank are set at 28 and 60 psi. The distribution system consists of approximately 3,000 feet of 4-inch and 6-inch mains.

The applicants serve 54 residential customers under their flat rate schedule and 13 business customers under a meter rate schedule. The rate situation is quite complicated. In the case of the flat rate service, applicants propose to continue the practice

of adding "extras" to the basic flat rate. These include charges for irrigated or patio space in excess of 1,500 square feet. Others are rates for each "trailer and tent used as a residence", for air coolers and for swimming and wading pools. All of these extras appear to be unsatisfactory for one reason or another. Some are evaded, and others are more productive of disputes between utility and customers than of revenue.

The staff engineer proposed to solve this problem by increasing the basic rate to \$4 and eliminating all extras except one. The basic rate would apply to lot areas up to 6,000 square feet. The one extra retained would be a charge for areas in excess of 6,000 square feet. Even this is changed from an irrigated area to a total lot area basis. He also added a flat rate for small businesses. These businesses were supposed to be on a metered basis but have not in fact been billed that way.

Comparisons between the staff's and applicants' estimated results of operation for 1963 at the present and proposed rates are set forth in the following tabulation:

<u>Item</u>	<u>Staff</u>		<u>Applicants</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 4,200	\$ 4,470	\$ 4,045.00	\$ 4,426.30
<u>Deductions</u>				
Operating Expenses	2,520	2,520	2,485.00	2,485.00
Depreciation Expense	460	460	570.94	570.94
Taxes Other Than Income	260	260	314.86	330.30
Income Taxes	200	260	179.38	220.50
Total Deductions	\$ 3,440	\$ 3,500	\$ 3,550.18	\$ 3,606.74
Net Revenues	\$ 760	\$ 970	\$ 494.82	\$ 829.56
Average Depreciated Rate Base	\$12,000	\$12,000	\$11,060.74	\$11,060.74
Rate of Return	6.3%	8.1%	4.5%	7.5%

The principal differences between the staff's and applicants' estimates for 1963, as shown in the foregoing tabulation, result from the following items: the staff included additional revenues for swimming pools and air coolers, whereas applicants' estimates do not reflect any additional revenues for such facilities. Applicants used a composite depreciation rate of 3.7%, whereas the staff used a rate of 3.0%. The staff's estimate of self-employment tax was based on the salary allowance used by both the staff and applicants, whereas applicants' estimate of self-employment tax was based on a salary allowance considerably larger than included in their estimated operating expenses. The staff's rate base estimate was based on average plant and depreciation reserve and included an allowance of \$600 for working cash and materials and supplies, whereas applicants used end-of-year figures and did not include an allowance for working capital. We find that the staff estimates are reasonable. They will be adopted.

The staff proposed that increased rates essentially as requested by applicants be authorized, to produce gross revenues of approximately \$4,470 for the year 1963, but that the flat rate schedule be modified as previously indicated. The basic rate proposed by the staff is \$4 per month for a residence with premises of up to 6,000 square feet. The staff rates would result in a monthly bill of \$5.15 to the customers residing on the median lot of approximately 8,300 square feet. The average monthly bill for such customers, at the presently effective rates, is \$4.92. We find that the staff rate proposal is reasonable. It will be adopted.

Applicants appear to be providing satisfactory service. The complaint concerning colored water appears to be confined to one residence and is probably caused by plumbing deficiencies as

customers on either side stated that they had not been troubled with colored water.

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. We conclude that the application should be granted to the extent provided by the following order. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Applicants 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 March 1, 1964.
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, rules governing service to customers, a 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 one hundred and eighty 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 3.0 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 rate in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

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

Dated at San Francisco, California, this 17th day of February, 1964.

William W. Brewster  
President

George A. Traver  
Fredrick B. Hallock

Commissioners

Commissioner Peter E. Mitchell, 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

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Cedar Heights, Tract No. 1265, located immediately north of Fresno, Fresno County.

(T)

(T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 1,000 cu.ft. or less .....	\$ 2.75	(I)
Next 4,000 cu.ft., per 100 cu.ft. ....	.25	(I)
Next 10,000 cu.ft., per 100 cu.ft. ....	.15	
Over 15,000 cu.ft., per 100 cu.ft. ....	.10	
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 2.75	(I)
For 3/4-inch meter .....	3.75	
For 1-inch meter .....	5.50	(I)

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

(T)

APPENDIX A  
Page 2 of 2

## Schedule No. 2 (T)

GENERAL FLAT RATE SERVICE (T)APPLICABILITY

Applicable to all flat rate water service. (T)

TERRITORYThe area known as Cedar Heights, Tract No. 1265, located immediately north of Fresno, Fresno County. (T)  
(T)RATES

Per Service Connection  
Per Month

- |  |         |     |
|--|---------|-----|
| 1. For a single-family residential unit, including premises not exceeding 6,000 sq.ft. in area ..... | \$ 4.00 | (C) |
| a. For each 100 sq.ft. of premises in excess of 6,000 sq.ft. ....                                    | .05     | (C) |
| 2. For each business establishment ....  | 4.00    | (N) |

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter. (N)  
(N)
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. (T)  
|  
(T)