

66891

ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

The Application of TIMOTHY MONSON and)
RETA MONSON, husband and wife, doing)
business as THE GREENFIELD VILLAGE)
WATER COMPANY for authority to increase)
and establish water rates in accordance)
with Section 454 of the Public)
Utilities Code of the State of)
California.)

Application No. 45631
(Filed July 31, 1963)

O P I N I O N

By this application, as amended on October 9, 1963 and January 2, 1964, Monson's, Inc. (corporation), and Timothy Monson and Reta Monson (proprietors), seek authority for the transfer of the water system known as Greenfield Village Water Company from corporation to proprietors, who request an increase in flat rates and the establishment of meter rates.

At the request of the Commission, proprietors sent a notice to each customer regarding the requested rate increase, inviting any comments to the Commission which they desired to set forth. Seven letters were received by the Commission. Complaints set forth in those letters are summarized in a staff report, hereby made a part of the record as Exhibit No. 1. The complaints mostly concern hard water, and sand or sediment in the water. A number of people stated that they thought the proposed increase was too great. The staff report states that there have been no informal complaints filed with the Commission concerning this utility in the past two years.

The Commission staff made a field investigation of the utility's operations during September of 1963. Plant and facilities were inspected, customers interviewed and company records reviewed. The results of the staff investigation are also presented in Exhibit No. 1.

Proposed Transfer

By Decision No. 50255, dated July 6, 1954, in Application No. 33769, corporation was granted a certificate to construct the water system discussed herein. The corporation was dissolved on October 31, 1961. Proprietors were the sole stockholders, so no change in management or operation will result from the proposed transfer.

Service Area and Water System

The utility provides water service to 24 customers in the 51-lot subdivision known as Greenfield Village No. 2, located approximately three miles southeast of Fresno, in Fresno County. None of the customers now receive metered service. One customer has a 3/4-inch service connection, which will be replaced with 1-inch service, and the remainder have 1-inch service connections. There are three hydrants connected to the system.

The utility produces its water supply from one well. The well is equipped with a 15 hp motor and a deep-well pump which produces water at the rate of approximately 350 gpm, pumping into a 4,500-gallon pressure tank at the system pressure of between 40 and 55 psi. The distribution system consists of approximately 1,860 feet of 6-inch main and 2,050 feet of 4-inch main. A pressure switch on the tank controls the pump motor.

Rates and Rules

Proprietors request that the present basic rates, established in 1956, of \$6 per month for residential water service through a 1-inch service connection and \$10 per month through a 1½-inch service connection be increased to \$10 and \$15, respectively, which would result in approximately a 65 percent increase in revenue. Authority is requested to discontinue ¾-inch flat rate service. Although proprietors request a provision for meter rates, they do not propose any specific schedule.

In Exhibit No. 1, the staff recommends specific schedules for both flat rate and metered service, based upon its analysis of the results of the utility's operations and the revenue required to cover operating expenses and provide a reasonable allowance for return and income taxes. The flat rates suggested by the staff, set forth in detail in Appendix A hereto, would result in an increase of approximately 47 percent in gross revenues. The staff recommends that ¾-inch flat rate service remain available to the customers.

As is indicated in this Commission's General Order No. 103, very small systems inherently have a high diversity factor. This requires, among other things, a larger production capacity per customer than for large systems. Conversely, it results in a greater reduction in unit cost when standby and peaking capacity is utilized by customers with high monthly usage. The meter rates set forth in the appendices hereto reflect these considerations and are in consonance with the flat rates therein.

Corporation's present rules were filed in 1954. The staff recommends that these rules be brought up to date.

Service Improvements

Pressure readings taken during the staff's field investigation indicate that the system pressures range from 40 to 50 psi. The subdivision consists of rather large homes situated on lots ranging from approximately one quarter to one third of an acre in size. Most of the homes have large garden or lawn areas that require a substantial amount of irrigation. At present, the capacity of the system, under normal operation, appears adequate to serve the customers it now has or is likely to have in the near future. Although the development of the subdivision from its 24 dwelling units to its capacity of 51 dwelling units and a shopping area and a possible additional service to an adjoining subdivision will require an additional well and pump for the system, this will not occur in the near future.

Aside from the capacity of the existing system under normal operation, water service is inevitably subject to interruption whenever it is dependent upon a single source of supply, without storage. Any mechanical equipment such as a motor-driven pump must be shut down from time to time for routine maintenance and emergency repairs. Proprietors propose to add another well and pump to the system during the year 1964 or 1965 at a cost of about \$3,300.

Many of the customer complaints concerned sand in the system and hard water. Proprietors' representative stated that the well had been pumping sand, but was extended and cleaned out

in 1963. Proprietors propose to install a sand trap, at a cost of about \$150, to alleviate the sand problem. The hard water seems to be a problem inherent in this area and one that cannot be remedied without major additions to plant and operating expenses.

Results of Operations

The staff has analyzed the operational results at both present and proposed rates. These analyses indicate that proprietors would realize a loss of about \$10 for the year 1963 under the present rates, after making certain adjustments to revenues and expenses. Under the same conditions, proprietors' proposed rates would produce a net revenue of about \$660 for 1963. Summarized below, from Exhibit No. 1 and Exhibit C to the application, are the staff's and proprietors' estimated results of operation for 1963 under the present rates and under those proposed in the application. Estimated results under the rates suggested by the staff and authorized herein for the immediate future are also shown.

<u>Item</u>	<u>Present Rates</u>		<u>Proposed Rates</u>		<u>Authorized Rates</u>
	<u>Staff</u>	<u>Appl.</u>	<u>Staff</u>	<u>Appl.</u>	
Operating Revenues	\$1,620	\$1,500	\$2,670	\$2,500	\$2,380
<u>Deductions:</u>					
Operating Expense	1,300	1,600	1,300	1,600	1,300
Depreciation Expense	190	388	190	388	190
Taxes Other Than on Income	140	120	140	120	140
Taxes on Income	--	--	380	--	300
Total Deductions	1,630	2,108	2,010	2,108	1,930
Net Revenues	(10)	(608)	660	392	450
<u>Average Rate Base:</u>					
Before Deducting Depr. Reserve	7,222	6,798	7,222	6,798	7,222
Deduct Depr. Reserve	2,532	--	2,532	--	2,532
Rate Base	4,690	6,798	4,690	6,798	4,690
Rate of Return	Loss	Loss	14.1%	6%	9.6%

(Red Figure)

The staff estimates of revenue are based upon more recent and exact data than those shown in the application. The staff's operating expense estimates are lower than those shown in the application, due primarily to reduction of proprietors' excessive cost estimated for well repairs. The depreciation rate used by the staff is 2.7 percent, whereas proprietors used 5.5 percent. The staff's estimate of average utility plant is higher than proprietors', due to addition of the plant expenditures improperly charged on the books to expenses, and due to the staff's inclusion of the cost of the sand filter which is to be installed soon. The additional well and pump proposed by proprietors may not be installed for several years, and the cost thereof was not included by either proprietors or staff in the 1963 rate base. No deduction from rate base was made by proprietors for the accrued depreciation reserve.

The rates requested by proprietors would produce about \$300 per year more revenue than those authorized herein for the immediate future. When proprietors install their proposed second well and pump, at a cost of some \$3,300, the additional \$300 of revenue will probably do little more than cover the depreciation, taxes, operating and maintenance expenses related to the new facilities. Proprietors would receive but a small return on their investment in the new facilities until such time as the extra production capacity is more fully utilized. ✓
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Findings and Conclusions

The Commission finds that:

1. The transfer of the water system from corporation to proprietors is not adverse to the public interest.
2. Proprietors' proposed installation of a sand trap is necessary to provide reasonable service to the public.
3. Proprietors' proposed installation of a second well and pump would provide a highly desirable standby source during periods when the present single source is shut down for maintenance or repairs. Incentive should be provided for proprietors to install the facilities but, because the extra investment would not be fully compensatory until the number of customers increases, the installation should not be mandatory at this time.
4. Proprietors are in need of increased revenues but their requested rates will be justified only if they install their proposed second well and pump.
5. The estimates of operating revenues, expenses including taxes and depreciation, depreciation rate, and rate bases as submitted by the staff for the year 1963 reasonably represent the results of proprietors' operations for the purposes of this proceeding.
6. 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 prescribed herein, are for the future unjust and unreasonable.

The Commission concludes that the application should be granted to the extent, and under the conditions, set forth in the

ensuing order, and that proprietors should be required to take the actions set forth therein. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. The transfer of the certificate of public convenience and necessity referred to herein and the water system known as Greenfield Village Water Company from Monson's, Inc. (corporation), to its sole stockholders, Timothy Monson and Reta Monson (proprietors), is authorized.

2. After the effective date of this order, proprietors, doing business as Greenfield Village Water Company, are authorized to file the revised schedules of rates set forth in Appendix A to this order. Such filing shall comply with General Order No. 96-A. The revised rate schedules shall become effective for service rendered on and after April 1, 1964, or on and after the fourth day following the date of filing, whichever is later.

3. Within forty-five days after the effective date of this order, proprietors shall file revised tariff service area maps clearly indicating the boundaries of the service area, appropriate revised general rules, and copies of printed forms used in dealing with customers. Such filing shall comply with General Order No. 96-A and the revised tariff sheets shall become effective on the fourth day after the date of filing.

4. Beginning with the year 1963, proprietors shall determine depreciation accruals by multiplying the original cost of

depreciable utility plant by a rate of 2.7 percent. This rate shall be used until review indicates it should be revised. Proprietors shall review the depreciation rate, using the straight-line remaining life method, whenever major changes in depreciable plant composition occur and at intervals of not more than five years; and, upon completion of each review, shall submit promptly to this Commission the results thereof.

5. Within sixty days after the effective date of this order, proprietors shall install a sand trap in the water system, essentially as set forth in Exhibit E-2 to the application, and file in this proceeding written notice of the date that the installation was placed in service, its cost, and any other pertinent details.

6. Within ten days after installing the second well and pump, essentially as set forth in Exhibit E to the application, proprietors shall file in this proceeding written notice of the date that the installation was placed in service, its cost, and any other pertinent details. If proprietors complete the installation prior to January 1, 1965, the Commission will, by supplemental order herein, authorize them to file the schedules of rates set forth in Appendix B to this order.

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

Dated at Los Angeles, California, this 3rd day of MARCH, 1964.

[Signature] President
George T. Hoover
Fredrick B. Holdcroft

Commissioners

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

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Greenfield Village Tract No. 1272, located approximately 3 miles southeast of Fresno, Fresno County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rates:	
First 600 cu.ft., or less	\$ 4.00
Next 900 cu.ft., per 100 cu.ft. . . . .	.45
Next 1,500 cu.ft., per 100 cu.ft. . . . .	.30
Over 3,000 cu.ft., per 100 cu.ft. . . . .	.20
Minimum Charge:	
For 5/8 x 3/4-inch meter.	\$ 4.00
For 3/4-inch meter.	5.50
For 1-inch meter.	8.25
For 1 1/2-inch meter.	13.75

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 (T)

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service. (T)

TERRITORY

The area known as Greenfield Village Tract No. 1272, located approximately 3 miles southeast of Fresno, Fresno County. (T)

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
1. For each single-family residence including premises not exceeding 15,000 sq.ft. in area:		
For each 3/4-inch service connection . . .	\$ 5.50	(I)
For each 1-inch service connection . . .	8.25	(I)
For each 1 1/2-inch service connection . . .	13.75	(I)
For each additional 100 sq.ft. area of premises in excess of 15,000 sq.ft. . . . .	.05	
2. For each store, market or office	4.80	(I)
3. For each gasoline service station.	6.20	(I)
4. For each noncirculating type evaporative cooler, during the months of June, July, August and September . . . . .	.50	(T)

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.

APPENDIX B
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Greenfield Village Tract No. 1272, located approximately 3 miles southeast of Fresno, Fresno County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 600 cu.ft., or less	\$ 5.50	(I)
Next 900 cu.ft., per 100 cu.ft. . . . .	.50	(I)
Next 1,500 cu.ft., per 100 cu.ft. . . . .	.30	
Over 3,000 cu.ft., per 100 cu.ft. . . . .	.20	
Minimum Charge:		
For 5/8 x 3/4-inch meter.	\$ 5.50	(I)
For 3/4-inch meter.	7.00	|
For 1-inch meter.	10.00	|
For 1 1/2-inch meter.	15.00	(I)

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

APPENDIX B
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Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

The area known as Greenfield Village Tract No. 1272, located approximately 3 miles southeast of Fresno, Fresno County.

RATES

	<u>Per Service Connection</u>	
	<u>Per Month</u>	
1. For each single-family residence including premises not exceeding 15,000 sq.ft. in area:		
For each 3/4-inch service connection . . .	\$ 7.00	(I)
For each 1-inch service connection . . .	10.00	(I)
For each 1 1/2-inch service connection . . .	15.00	(I)
For each additional 100 sq.ft. area of premises in excess of 15,000 sq.ft. . .	.05	
2. For each store, market or office	8.75	(I)
3. For each gasoline service station. . . .	9.25	(I)
4. For each noncirculating type evaporative cooler, during the months of June, July, August and September . . . . .	.50	

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.