

Decision No. 67106**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of DAGGETT WATER
COMPANY, a corporation, for an
order, under Section 434 of the
Public Utilities Code, author-
izing an increase in water rates.

Application No. 45692
(Filed August 20, 1963)

O P I N I O N

Applicant Daggett Water Company, a corporation, seeks authority to increase its rates for water service.

The Commission staff made a field investigation of the utility's operations in December 1963. Plant and facilities were inspected, pressures were checked, customers were interviewed, and applicant's records were examined. The results of the staff investigation are presented in a report, hereby made a part of the record as Exhibit No. 1.

Service Area and Water System

The utility provides water service to about 156 customers in its 400-acre service area comprising the community of Daggett, in San Bernardino County. Seven customers receive unmetered service; the rest of the services are metered.

The utility produces its water supply from three wells. Water from two of the wells is stored in a large reservoir, whence it is delivered to the distribution system by means of a booster pump and pressure tank. The third well pump, in conjunction with its pressure tank, delivers water directly into the distribution system.

Rates

Applicant requests that the present meter rates, established in 1957, be revised to produce about a 59 percent increase in revenue. In a two-page supplement to Exhibit No. 1, which supplement is hereby made a part of the record as Exhibit No. 2, the Commission staff recommends specific schedules for both flat rate tank haulage service and general metered service, which rates would result in an increase of approximately 40 percent in gross revenue. Because of recent changes in federal income tax rates, of which this Commission hereby takes official notice, the rates authorized herein differ slightly from those recommended by the staff, and will result in an increase of approximately 33 percent over present gross revenues. The following table summarizes the various meter rates:

Table ICOMPARISON OF METER RATES

<u>Quantity</u>	<u>Present</u>	<u>Applicant</u>	<u>Staff</u>	<u>Auth- orized</u>
First 800 cu.ft. or less	\$3.00	\$3.75	\$3.75	\$3.50
Next 200 cu.ft., per 100 cu.ft.	.00	.42	.00	.00
Next 800 cu.ft., per 100 cu.ft.	.25	.42	.35	.33
Next 200 cu.ft., per 100 cu.ft.	.25	.37	.35	.33
Next 1,000 cu.ft., per 100 cu.ft.	.20	.37	.30	.30
Next 300 cu.ft., per 100 cu.ft.	.15	.37	.24	.24
Over 3,300 cu.ft., per 100 cu.ft.	.15	.27	.24	.24

Exhibit No. 1 states that applicant is misapplying its meter rate regarding billing for a service station and is also charging an unauthorized flat rate to water haulage customers. Applicant is hereby placed on notice that it must abide by its filed tariffs.

Service and System Improvements

Exhibit No. 1 states that service appears to be adequate and that no informal complaints concerning applicant have been

received by the Commission during the last two years. The only system improvement recommended in the staff exhibit is that applicant meter its sources of supply. Applicant is hereby placed on notice that it will be expected to comply with the Commission's General Order No. 103 in this regard.

Financial and Accounting Matters

The Commission staff suggests in Exhibit No. 1 that a rate of return of 7½ percent be considered reasonable in this proceeding. The staff recommendation will be adopted.

Exhibit No. 1 shows that applicant's accounting procedures have been faulty in several respects and that applicant should

- (1) maintain its books on a current and accrual basis, and
- (2) undertake properly to classify expenditures as between capital and expense accounts, depending on the circumstances of each transaction.

Applicant is hereby placed on notice that it must revise its accounting procedures to correct such deficiencies and must maintain its accounts in conformity with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

Results of Operations

Summarized in Table II, from Exhibit No. 1 and Exhibit "F" to the application, are the staff's and applicant's estimates of operating results for 1963 under the present rates and those proposed in the application. Estimated results under the rates authorized herein are also shown, using income tax levels which will prevail for the immediate future.

Table IIRESULTS OF OPERATIONS

<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	\$11,470	\$12,105	\$18,040	\$17,861	\$15,300
Operating Expenses	10,010	11,254	12,200	12,975	10,920
Net Revenues	\$ 1,460	\$ 851	\$ 5,840	\$ 4,886	\$ 4,380
Rate Base	\$58,520	\$56,918	\$58,520	\$56,918	\$58,520
Rate of Return	2.5%	1.5%	10.0%	8.6%	7.5%

The principal differences between the estimates of the staff and those of applicant result from (1) staff adjustments to make purchased power consistent with water sold and to exclude capital items from expense and (2) staff adjustment of remaining-life depreciation rates, as discussed in Exhibit No. 1. These are offset somewhat by the larger rate base resulting from proper treatment of capital items and by the greater income tax allowance resulting from the staff's lower estimates of operating expenses.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of increased revenues but the rates it proposes are excessive.

2. The estimates of operating revenues, expenses, including taxes and depreciation, depreciation rate, and rate base submitted by the staff for the year 1963, after adjustment for recent changes in federal income tax rates, reasonably represent the results of applicant's operations for the near future. A rate of return of 7½ percent on said rate base is reasonable for the purposes of this proceeding.

3. 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 set forth in the ensuing order. A public hearing is not necessary.

ORDER

IT IS ORDERED that, after the effective date of this order, applicant Daggett Water Company is authorized to file the new and revised schedules of rates set forth in Appendix A to this order. Such filing shall comply with General Order No. 96-A. The new and revised rate schedules shall become effective for service rendered on and after June 1, 1964, or on and after the fourth day following the date of filing, whichever is later.

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

Dated at San Francisco, California, this 21st day of April, 1964.

William W. Beards
President

W. S. [unclear]

Wesley W. [unclear]

George E. Trover

Frederick B. Hallock
Commissioners

APPENDIX A

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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Daggett and vicinity, San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 1,000 cu.ft. or less	\$ 3.50
Next 1,000 cu.ft., per 100 cu.ft.33
Next 1,000 cu.ft., per 100 cu.ft.30
Over 3,000 cu.ft., per 100 cu.ft.24

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	5.00
For 1-inch meter	7.50
For 1 1/4-inch meter	10.00
For 1 1/2-inch meter	12.50
For 2-inch meter	20.00

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

APPENDIX A

Schedule No. 9FL

FLAT RATE TANK HAULAGE SERVICE

APPLICABILITY

Applicable to all flat rate water service furnished to individual domestic customers hauling water.

TERRITORY

Daggett and vicinity, San Bernardino County.

RATE

	<u>Per Customer Per Month</u>
For all water furnished	\$3.00

SPECIAL CONDITIONS

1. The monthly flat rate charge is payable in advance.
2. All service not covered by the above classification shall be furnished only on a metered basis.