

ORIGINAL

Decision No. 67218

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
HURON UTILITY COMPANY, a corporation,)
for an order authorizing an increase)
in rates for water service rendered)
in the City of Huron, California.)

Application No. 45599
(Filed July 16, 1963)

Paul Couture, for applicant.

Edmund J. Teixeira, for the Commission
staff.

O P I N I O N

After notice duly given this matter was heard before Examiner Power at Huron on February 19, 1964 and the matter was submitted.

Water is supplied to the system from two sources. One is a well located on property owned by the Huron Development Co., a corporation, owned by applicant's largest stockholder. This well discharges into a ground level cistern with a capacity of approximately 50,000 gallons. Water is also purchased from Mouren Water Service, Inc., another public utility operating in Huron. Boosters at the cistern and the Mouren connection pump the water into the system and an elevated 30,000-gallon tank which floats on the system. Adequate pressures are maintained.

The system serves about 128 metered and 2 flat rate customers. There are twenty fire hydrants. The system has a 75-horsepower well pump and approximately 14,600 feet of mains varying between 2 and 6 inches in diameter. The pump can deliver

about 300 gallons per minute. However, applicant prefers the Mouren source because it is cheaper.

Applicant's present rates became effective December 1, 1949 by authority of Decision No. 43465 in Application No. 30312. The rates are now expressed in thousands of gallons. It is proposed to restate them in hundreds of cubic feet. The monthly bill of a customer using 1,500 cubic feet per month would be increased under the proposal from \$4.37, at present, to \$10.26.

The staff called attention to the fact that the minimums for meters larger than 5/8 x 3/4 inches which applicant proposed were inconsistent with the amounts of water which can be delivered through such meters. The staff accordingly calculated a more equitable set of minimums. Using the staff minimums the revenues are estimated by the staff as follows:

	<u>1962</u> <u>Recorded</u>	<u>1963 Estimated</u>		<u>% of</u> <u>Increase</u>
		<u>Present</u> <u>Rates</u>	<u>Proposed</u> <u>Rates</u>	
Revenues				
Metered Sales	-	\$10,100	\$26,220	159.6
Public Fire Hydrants	-	360	840	133.3
Total Revenues	\$9,671	\$10,460	\$27,060	158.7

Applicant and staff agreed that applicant has been losing money for the past four years. An increase of rates has been justified and the only question remaining is to determine the amount. A comparison of the results of operation reached by applicant (Exhibit A to the application) and the staff (Exhibit No. 1) for the estimated year 1963 is shown below:

	<u>Applicant</u>		<u>Commission Staff</u>			
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Staff Improvements Not Included</u>		<u>Including Staff Improvements</u>	
			<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$10,670	\$24,420	\$10,460	\$27,060	\$10,460	\$27,060
Deductions:						
Oper. Exps.	15,510	15,510	8,310	8,310	8,310	8,310
Depr. Exps.	3,280	3,280	1,960	1,960	2,290	2,290
Taxes Other Than Income	830	730	670	670	770	770
Taxes on Income (1)	-	1,290	100	4,230	100	3,980
Net Revenue	(8,950)	3,610	Loss	11,890	Loss	11,710
Avg. Depr. Rate Base	40,560	40,560	36,150	36,150	58,100	58,100
Rate of Return	Loss	8.9%	Loss	32.9%	Loss	20.2%

(1) All Federal income tax figures were recalculated at the 22% normal tax rate now current.

While some increase has been justified, the rates proposed are excessive. ✓

Using staff results of operations modified to reflect the recent reduction in Federal corporate income tax rates it appears that the amount of gross revenue justified under present conditions is \$14,370.

If staff recommended improvements were installed the required gross revenue would become \$16,690. We shall authorize an increase of rates producing this gross revenue. The table following shows staff results of operations in these cases: ✓

SUMMARY OF EARNINGS

	<u>Without Staff Suggested Improvements</u>	<u>With Staff Suggested Improvements</u>
Operating Revenues	\$14,370	\$16,690
<u>Deductions</u>		
Operating Expenses	8,310	8,310
Depreciation Expense	1,960	2,290
Taxes Other Than Income	670	770
Taxes on Income	900	1,250
Total Deductions	11,840	12,620
Net Revenues	2,530	4,070
Average Depreciated Rate Base	36,150	58,100
Rate of Return	7%	7%

It will be noted that there is considerable variance in the two rate bases above. Staff recommended the installation of about 2,375 feet of six-inch main and about 5,250 feet of four-inch main. Modifications are required in a trough and cistern to bring them into compliance with public health standards. A further cause of disparity between the two rate base levels is that the staff's recommended construction will eliminate certain contributed plant.

There appears to be no question that large portions of the distribution system are in bad condition. Leakages have been severe. In 1961 and 1962 approximately one-third of the water delivered to the system was unaccounted for. This causes excessive maintenance and pumping expenses.^{1/}

^{1/} Staff estimates of operation and maintenance expenses were much affected by this. Staff assumed that the improvements would be installed and reduced its estimates of expenses accordingly.

In the Commission's opinion the staff recommended improvements are necessary and should be ordered. As a result, the larger of the two rate bases suggested by the staff should be used as a basis for rate adjustments herein.

The Commission finds that:

1. The estimates of operating revenues and expenses including depreciation and taxes other than income taxes as submitted by the staff for the test year 1963 reasonably represent the results of applicant's operations for the purposes of this proceeding.

2. The staff's rate base of \$58,100 reflecting staff suggested improvements is reasonable for the purposes of this proceeding.

3. Federal income tax figures submitted by the staff should be modified to reflect 1964 reductions in the corporate income tax.

4. Staff suggested improvements are reasonable and are necessary in order to eliminate unnecessary expenses, to protect the health of the consumers and to enable applicant to render reasonable, adequate and sufficient public utility water service in its certificated area.

5. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable; and the operating results and rate of return produced by said increases are reasonable.

The Commission concludes that:

1. Applicant should be required to improve its system as required by the following order.

2. Applicant should be authorized to increase its rates to the levels shown in Appendix A to the order following.

O R D E R

IT IS ORDERED that:

1. Huron Utility Company 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 June 16, 1964.

2. Within forty-five days after the effective date of this order, applicant shall file with 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 filing shall comply with General Order No. 96-A, and the revised tariff sheets shall become effective on the fourth day following the date of filing.

3. Within sixty days after the effective date of this order, applicant 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 applicant.

4. Beginning with the year 1964 applicant shall determine depreciation accruals by the straight-line remaining life method using the depreciation rates shown in Table 3-A of Exhibit No. 1 of the instant proceeding. These rates shall be used until a review indicates they should be revised. Applicant shall review

the depreciation rates when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

5. Within thirty days after the effective date of this order, applicant shall apply to the appropriate public health agency for a water supply permit for its well, and shall so notify the Commission, in writing, within ten days thereafter.

6. Within sixty days after the effective date of this order, applicant shall certify to the Commission, in writing, that the utility has received clear title to all sites and facilities which have been dedicated to public utility operation.

7. On or before August 31, 1964, applicant shall install a main of not less than 6-inch outside diameter from applicant's property at Fourth and Central Streets, westerly across Lassen Avenue through the alley parallel to and between Apple and Myrtle Avenues to Orange Avenue, thence northerly on Orange Avenue to Myrtle Avenue, thence westerly on Myrtle Avenue to the main in the alley parallel to and between Orange and Granada Avenues, a distance of approximately 1,575 feet, and shall so notify the Commission, in writing, within ten days thereafter.

8. On or before August 31, 1964, applicant shall install a main of not less than 6-inch outside diameter from the above main southerly through the alley parallel to and between Lassen Avenue and Los Angeles Street to Cherry Street and thence westerly on Cherry Street to the main on Los Angeles Street, a distance of approximately 300 feet, and shall so notify the Commission, in writing, within ten days thereafter.

9. On or before August 31, 1964, applicant shall install mains of not less than 4-inch outside diameter in all locations where its mains are now located in the area lying west of Lassen Avenue excluding those mains mentioned in the two preceding ordering paragraphs, the total length of 4-inch main required being approximately 5,250 feet, and shall so notify the Commission, in writing, within ten days thereafter.

10. On or before June 30, 1964, applicant shall install a dust-tight cover on the trough which carries water from the well into the cistern, and shall so notify the Commission, in writing, within ten days thereafter.

11. On or before June 30, 1964, applicant shall eliminate the air space between the top of the cistern wall and the roof, making said wall solid, and shall provide ventilation at the peak of the roof, such ventilation to be protected by screens having a small enough mesh to exclude insects and small animals, and shall so notify the Commission, in writing, within ten days thereafter.

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

Dated at San Francisco, California, this 14th day of MAY, 1964.

William U. Bennett
 President

Carroll W. King

George E. Trover

Fredrick B. Holcliff
 Commissioners

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service. (T)

TERRITORY

Huron and vicinity, Fresno County. (T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 600 cu.ft. or less	\$ 3.50	(T)
Next 1,400 cu.ft., per 100 cu.ft.45	
Next 2,000 cu.ft., per 100 cu.ft.35	
Over 4,000 cu.ft., per 100 cu.ft.28	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 3.50	(T)
For 3/4-inch meter	5.00	
For 1-inch meter	8.00	
For 1 1/2-inch meter	14.00	
For 2-inch meter	20.00	
For 3-inch meter	35.00	
For 4-inch meter	55.00	(T)

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

Schedule No. 6ML

LIMITED METERED RESALE SERVICE

APPLICABILITY

Applicable to all water service furnished to Mouren Water Service for resale purposes.

POINT OF DELIVERY

Huron, Fresno County.

RATE

	<u>For All Water Delivered</u>
For each 1,000 gallons	\$0.10

Schedule No. 5

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

Huron and vicinity, Fresno County.

RATE

Per Month

For each hydrant \$2.40

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.

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.

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.