

ORIGINAL

Decision No. 67382

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of N. R. JESSEE, dba THE MULBERRY )  
WATER WORKS, for an increase in )  
rates for water service in the )  
Mulberry District, south of Chico, )  
Butte County. )

Application No. 45899  
(Filed October 24, 1963)

O P I N I O N

Applicant, N. R. Jessee, doing business as Mulberry Water Works, seeks authority to increase his flat rates and establish alternative meter rates.

At the request of this Commission, applicant sent a notice to each customer regarding the requested rate increase, inviting customers to call the Commission's attention to any problems concerning water service, billing procedure, or other factors pertaining to a reasonable charge for water service. The Commission did not receive any correspondence in reply to this notice. A staff report, hereby made a part of the record as Exhibit No. 1, states that there have been no informal complaints filed with this Commission concerning this utility during the past three years.

The Commission staff recently made a field investigation of applicant's operations. Plant and facilities were inspected, customers interviewed and applicant's records examined. The results of the staff investigation also are presented in Exhibit No. 1.

Service Area and Water System

Applicant provides flat rate water service to some 135 customers in an area known as Mulberry District, located south of Chico, in Butte County.

The sources of supply consist of two wells, equipped with pumps driven by electric motors. Water is pumped through a pressure tank into the distribution system, consisting of approximately 9,300 feet of mains varying between one and four inches in diameter.

Rates and Rules

Applicant's present flat rate service schedule has only one rate, \$2 per month for all types of service, and restricts irrigation to certain hours of the day. The flat rates proposed by applicant contain a number of blocks and do not include the irrigation restriction. The staff recommends a simplified schedule of flat rates which would result in the same average monthly bill of approximately \$4 as would applicant's requested rates. This staff schedule has been used in determining the staff's revenue estimates in this proceeding; the staff's simplified rates would make application of the tariffs easier.

Applicant does not now have any meter rate schedule in his presently effective tariffs but requests that a service charge type of meter rate schedule be established. The staff recommends granting that request.

Applicant requests that a 2-month meter deposit be required of metered service customers and that a reconnection charge of \$5 be authorized. The staff recommends that these charges not be authorized in that form, but that applicant be required to file a new set of rules governing customer relations revised to reflect present day operating practices. Rule No. 7 of such rules filed by most water utilities relates to deposits and sets forth the amounts which may be required of new customers to establish credit. Rule No. 11 deals with discontinuance and

restoration of service and sets forth the reconnection charge which may be made when service has been disconnected for violation of the utility's filed rules.

Improvements

Exhibit No. 1 states that the distribution mains in applicant's system are undersized in many areas. However, the lack of informal complaints and the results of discussions with the customers by the staff engineer indicate there have been no instances of poor pressure nor of inadequate water supply. Continued growth will necessitate replacement of many of these small mains in the near future. The staff recommends that applicant institute a program for the progressive replace of his 2-inch diameter and smaller mains with larger mains. Applicant is hereby placed on notice that any such replacements must comply with General Order No. 103.

Results of Operations

Applicant and the Commission staff have each analyzed and estimated applicant's operational results. Recorded results under present rates and adjusted results under proposed rates are set forth for the year 1962 in the application. Estimated results under present rates and under the staff's simplified version of the proposed rates are shown for the year 1964 in the staff's Exhibit No. 1. Both presentations are summarized below:

TABLE I

	<u>Summaries of Earnings</u>			
	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Applicant</u> 1962 <u>Recorded</u>	<u>Staff</u> 1964 <u>Estimated</u>	<u>Applicant</u> 1962 <u>Adjusted</u>	<u>Staff</u> 1964 <u>Estimated</u>
Operating Revenues	\$ 2,888	\$ 3,500	\$5,950	\$6,760
Operating Expenses	3,882	5,830	5,557*	5,860
Net Revenues	(994)	(2,330)	393	900
Rate Base	11,577	20,450	11,577	20,450
Rate of Return	Loss	Loss	3.4%*	4.4%
		(Red Figure)		

\* If applicant's proposed amortization of prior losses at \$348 per year were excluded, the indicated rate of return would be 6.4%.

There are numerous differences, aside from those due to the use of different test years, between the estimates of applicant and staff. These differences are set forth in some detail in Exhibit No. 1. In view of the relatively low rate of return indicated by both applicant and staff summaries, the differences need not be discussed further herein. Applicant will be directed to effect the various accounting adjustments recommended in Exhibit No. 1.

#### Findings and Conclusion

The Commission finds that:

1. Applicant is in need of increased revenues.
2. The estimates of operating revenues, expenses (including taxes and depreciation), and rate base as submitted by the staff for the year 1964 are reasonable and represent the results of applicant's operations, and 4.4 percent is not in excess of a reasonable rate of return on said rate base.
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.

4. Applicant's present maps, rules and forms require revision.

5. Applicant's books and records are in error as to plant accounts and depreciation reserve, as described in detail in Exhibit No. 1.

The Commission concludes that the rate increase requested by applicant should be granted, that the simplified form of increased rates recommended in the staff's Exhibit No. 1 should be authorized, and applicant should be required to take certain actions, all as set forth in the ensuing order. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, applicant N. R. Jessee, doing business as Mulberry Water Works, is authorized to file the revised schedules of rates set forth in Appendix A to this order. Such filing of revised rates shall comply with General Order No. 96-A. The revised rate schedules shall become effective for service rendered on and after July 1, 1964, or on and after the fourth days following the date of filing, whichever is later.

2. Within forty-five days after the effective date of this order, applicant shall file revised tariff service area maps, appropriate revised general rules governing service to customers, 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.



APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portion of Chico and vicinity, Butte County.

RATES

Per Meter  
Per Month

Service Charge:

For 5/8 x 3/4-inch meter .....	\$2.25
For 3/4-inch meter .....	2.50
For 1-inch meter .....	3.00
For 1 1/2-inch meter .....	4.00
For 2-inch meter .....	7.00

Quantity Rate:

For all water delivered, per 100 cu.ft. ....	\$0.10
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The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rate.

APPENDIX A  
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Schedule No. 2

(N)

GENERAL FLAT RATE SERVICE

(T)

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Portion of Chico and vicinity, Butte County.

RATES

Per Service Connection  
Per Month

(T)

For a single-family residential unit or commercial establishment, including premises not exceeding 7,500 sq.ft. in area

\$4.00

(I)

a. For each additional single-family residential unit or commercial establishment on the same premises and served from the same service connection .....

3.00

(N)

b. For each 100 sq.ft. of premises in excess of 7,500 sq.ft. ....

.02

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classification shall be furnished only on a metered basis.

(N)

3. 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.