

Decision No. 68012**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of PLANADA WATER COMPANY, under)
Section 454 of the Public Utili-)
ties Code for authority to)
increase rates for water service.)

Application No. 46085
Filed January 9, 1964

O P I N I O N

Planada Water Company, a California corporation, requests an increase in its present \$3.25 per month flat rate for each residence, including 9,000 square feet of lot area, to \$4 and also requests that a business rate of \$4.25 per month be established. In addition, applicant proposes additional increases for extra units on the same service connection and for area in excess of 9,000 square feet of premises. The system, described in the application, serves about 465 residential and business customers under a flat rate schedule in the town of Planada, Merced County. Present tariffs also contain a schedule of meter rates, commencing with a basic monthly quantity rate and minimum charge of \$3 per meter for the first 1,000 cubic feet or less of water through a 5/8 by 3/4-inch meter. The proposed rates would result in an estimated 29 percent increase in gross revenues.

In accordance with standard practice, applicant, at the Commission's request, advised its customers of the proposed increases and invited them to call to the Commission's attention any problems pertaining to a reasonable charge for water service. Nine customers responded with complaints concerning low water pressure and the level of the proposed rates. No informal complaints were filed against this utility in the two years preceding the staff

investigation of this application. Results of the staff's investigation are included in a report, dated May 14, 1964, based on a field investigation, customer interviews and examination of the utility's records. The report includes operating and financial data as well as certain rate and service recommendations. The staff's study is hereby included in this record as Exhibit 1.

The record reveals that applicant has been charging an unauthorized rate of \$3.50 per month to its business customers (temporary authority for which expired July 1, 1960), and has also been charging its proposed flat rate for swimming pools and an unauthorized rate of \$11.50 per month for a laundromat.

Except for the low pressure problem, due to insufficient elevation of the system's direct-connected 25,000-gallon storage tank, the utility renders a generally satisfactory service and keeps adequate records for an operation of its size.

The application contains only recorded plant balances at October 31, 1963. The staff, after making certain accounting adjustments in the recorded 1963 figures as of December 31, 1963, developed a depreciated rate base of \$61,952 as compared with applicant's calculation of \$67,999. The staff's lower figure results primarily from reclassification to nonutility property of certain land improved with a dwelling and related depreciation reserve; inclusion of certain amounts for a booster pump and controls; an advance for mains; provision for normal additions and a reduction to \$500 from what the staff considers to be an excessive figure by applicant for working cash (\$3,000), since service is rendered on a flat rate basis payable in advance.

A condensed comparison of the staff's analysis of operating results with applicant's recorded and estimated results, at present and proposed rates, is shown below:

Item	Recorded Year 1963 (Adjusted)	Estimated	
		Present Rates Staff Year 1964	Proposed Rates Staff Year 1964 Applicant Year 1963
Operating Revenues	\$19,877	\$19,950	\$25,700 \$25,087
<u>Oper. Rev. Deductions</u>			
Operating Expenses	12,916	15,500	15,500 15,150
Depreciation	2,120	2,060	2,060 2,265
Taxes other than Income	2,067	2,270	2,270 2,302
Income Taxes	306	100	740 1,493
Total Deductions	17,409	19,930	20,570 21,210
Utility Oper. Income	2,468 ^a	20	5,130 3,877
Rate Base	-	61,950	61,950 67,999
Rate of Return	-	0.03%	8.3% 5.7%

a. This results in a 4.2% rate of return based on an average recorded net plant of \$59,187.

The principal differences between the staff's and applicant's estimates and recorded data, appearing in the items of operating revenues, operating expenses, depreciation expense and taxes, are explained in detail in Exhibit 1 and need not be repeated here.

The staff has recommended that rates be increased approximately 24 percent to yield gross revenues of \$24,600 for the estimated year 1964, or a return of 7.0 percent on the staff rate base. The basic flat rate proposed by the staff is \$3.90 per connection for 9,000 square feet of premises.

Installation of a booster pump, to be connected to the outlet of the elevated storage tank, is also recommended in order to enable applicant to retain its 25,000 gallons of storage and to raise the system pressure above the 65-foot head now obtainable. This installation is necessary and reasonable.

Recommendations of the staff for changes in the form of applicant's rates (Exhibit 1, paragraph 17) are reasonable and will be adopted.

The Commission finds that the estimates of operating revenues, expenses, including taxes and depreciation, the rate base and rate of return submitted by the staff for the test year 1964, as modified by the staff recommendations concerning rates, gross revenues and rate of return, herein approved, are reasonable for the purpose of prescribing rates herein.

The application, accordingly, should and will be granted to the extent provided in the ensuing order.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Planada Water Company is authorized to file the revised schedules of rates set forth in Appendix A to this order and, concurrently therewith, shall cancel by appropriate advice letter its presently effective Schedule No. 7, School and Public Park Flat Rate Service. Such filing of revised rates and canceling of Schedule No. 7 shall comply with General Order No. 96-A. The revised rate schedules shall become effective for service rendered on and after November 1, 1964, or on and after the fourth day following the date of filing, whichever is later.

2. Within forty-five days after the effective date of this order, applicant shall file revised 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.

3. Beginning with the year 1965, applicant shall determine the appropriate depreciation reserve for each individual plant account and review the accruals for each account, using the straight-line remaining life method. Applicant shall review the accruals for each plant account as of January 1, 1965, and when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

4. Within ninety days after the effective date of this order, applicant shall install and place in operation a booster pump of appropriate size and with necessary controls to enable all of applicant's customers to receive water service at pressures within the requirements prescribed by General Order No. 103. Applicant shall report to the Commission, in writing, that such an installation has been made, within ten days after completion of same, and shall report the operating pressures then prevalent throughout the system.

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

Dated at San Francisco, California, this 13th day of OCTOBER, 1964.

Fredrick B. Holloff
President
[Signature]
[Signature]
Hallam B. Bennett

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Planada and vicinity, Merced County.

(T)

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 1,000 cu.ft. or less	\$ 3.50
Next 2,000 cu.ft., per 100 cu.ft.30
Next 7,000 cu.ft., per 100 cu.ft.25
Over 10,000 cu.ft., per 100 cu.ft.20

(I)

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	5.00
For 1-inch meter	8.00
For 1 1/2-inch meter	15.00
For 2-inch meter	23.00
For 3-inch meter	40.00
For 4-inch meter	65.00

(I)

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

Schedule No. 2

GENERAL FLAT RATE SERVICE (T)

APPLICABILITY

Applicable to all flat rate water service. (T)

TERRITORY

Planada and vicinity, Merced County. (T)

RATES

	<u>Per Service Connection Per Month</u>	
For each business or single-family residential unit, including premises not exceeding 9,000 sq.ft. in area	\$3.90	(I)
a. For each additional business or single-family residential unit on the same premises and served from the same service connection	2.15	(I)
b. For each 100 sq.ft. of premises in excess of 9,000 sq.ft.03	(I)

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 classifications shall be furnished only on a metered basis.
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. (T)

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

Planada and vicinity, Merced County. (T)

RATE

	<u>Per Month</u>	
For each hydrant	\$2.50	(I)

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. (T)
2. The cost of installation and maintenance of hydrants shall be borne by the utility. (T)
3. Relocation of any hydrant shall be at the expense of the party requesting relocation. (L)
4. 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. (N)

Schedule No. 9C

CONSTRUCTION FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished for construction purposes or delivered to tank trucks. (T)

TERRITORY

Planada and vicinity, Merced County. (T)

RATES

1. For a period not to exceed six months during which a building is under construction before first occupancy, per month \$1.75 (I)
2. For settling backfill of trenches, per lineal foot015
3. For tank truck deliveries:
 First 3,000 gallons or less 1.00
 Over 3,000 gallons, per 1,000 gallons30

SPECIAL CONDITION

For other construction uses, an estimate of the quantity of water used will be made by the utility. The charge for this water will be made at the quantity rates under Schedule No. 1, General Metered Service.