

ORIGINALDecision No. 68949

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
WILLIAM G. WILSON, doing business)	
as the SOUTHWOOD PARK WATER COMPANY)	Application No. 47071
under Section 454 of the Public)	Filed October 27, 1964
Utilities Code for authority to)	
increase rates for water service.)	

O P I N I O N

William G. Wilson, doing business as Southwood Park Water Company, requests that his present monthly minimum charge for a 5/8 by 3/4-inch meter of \$3 for 500 cubic feet of water be increased to \$4 and that each of the succeeding blocks be increased \$0.05 per 100 cubic feet. The proposed rates would result in a 30 percent increase in gross revenues. Applicant also requests increases in minimum charges for meter sizes up to and including 4 inches, although no meters larger than 5/8 by 3/4-inch are presently installed. The system, described in the application, serves about 220 customers within southwest Santa Rosa.

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. Replies were received from approximately 90 percent of applicant's customers. All complaints related to the poor quality of the water and low pressure in the summer months.

A review of the Commission's informal complaint files for the last two years revealed that, as of December 31, 1964, only one

informal complaint had been filed. This complaint concerned the poor taste of the water. There is a high content of iron and manganese in the water-bearing strata in the Santa Rosa area. The quantities of iron and manganese in applicant's water supply exceed the recommended maximum limits of 0.3 ppm for iron and 0.05 ppm for manganese.

Applicant applied for a State Health Department water supply permit in June 1964. The issuance of the water supply permit is being processed and it should be issued sometime in 1965, provided the water quality is improved.

Results of the staff's investigation are included in a report, dated February 11, 1965, 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 recommendations. During the field investigation, a pressure check was made. Pressures ranged from 35 to 45 psi. This range is considered satisfactory. The staff's study is hereby included in this record as Exhibit 1.

Examination of the accounting records of applicant disclosed numerous shortcomings with respect to its accounting procedures. Revenues are recorded on a cash basis as deposits are made in the bank. In several instances where utility expenses were paid from owner's personal checking account, they were not recorded in applicant's books. Applicant does not maintain detailed plant records in a manner that permits ready verification of plant additions. Most source documents supporting plant additions were either destroyed or misplaced; however, duplicate invoices were obtained from contractors.

The recorded reserve for depreciation balance as of December 31, 1963, was understated, since no depreciation had been taken on \$42,320 in plant additions financed through main extension contracts.

Included in utility plant accounts, at December 31, 1964, was \$19,777 representing the cost of water facilities in Subdivisions Nos. 8 and 9. Water facilities for these tracts were installed by nonaffiliated subdividers, who entered into main extension agreements with the utility. Applicant acquired the agreements from the subdividers for a stated price of \$1. However, there is indication that applicant gave additional consideration for the agreements acquired by the surrender of a purchase option which he held on the subdivided property. The utility improperly credited the contract amounts to Account 242, Other Credits, instead of to Account 241, Advances for Construction. The staff reclassified the amount of \$19,776 as advances for construction.

The staff, after making certain accounting adjustments in the recorded 1964 figures as of December 31, 1964, developed an estimated 1965 depreciated rate base of \$88,420 as compared with applicant's calculation of \$127,222. The staff's lower figure results primarily from its treatment of advances for construction and depreciation accruals.

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 1964	Estimated Year 1965			
		Present Rates		Proposed Rates	
		Applicant	Staff	Applicant	Staff
Operating Revenues	\$12,435	\$14,863	\$14,900	\$17,363	\$19,440
<u>Oper. Rev. Deductions</u>					
Operating Expenses	11,123	12,784	10,600	12,784	10,600
Depreciation	4,759	2,365	5,050	2,365	5,060
Taxes other than Income	1,625	877	2,290	877	2,290
Income Taxes	-	-	-	-	240
Total Deductions	17,507	16,026	17,950	16,026	18,190
Operating Income	(5,072)	(1,163)	(3,050)	1,337	1,250
Rate Base	-	-	88,420	127,222	88,420
Rate of Return	-	-	-	1.1%	1.4%

(Red Figure)

After accounting adjustments.

The differences between the staff's and applicant's estimates and recorded data are explained in detail in Exhibit 1.

The staff has recommended that applicant install water treatment units to reduce the content of iron and manganese in the water from Well No. 2. The estimated installation cost of \$4,000 for the treatment units is included in the staff rate base. This installation is necessary and reasonable.

We find that the estimates of operating revenues, expenses, including taxes and depreciation, and the rate base as submitted by the staff for the test year 1965 are reasonable for the purpose of prescribing rates herein.

We further find that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

The application should 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, William G. Wilson, doing business as Southwood Park Water Company, is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be May 16, 1965, or four days after the date of filing, whichever is later.

2. Within ninety days after the effective date of this order, applicant shall install and place in operation at Well Site No. 2, located at 2107 Corby Avenue, suitable treatment facilities to lower the amounts of iron and manganese content in the water and shall so notify the Commission in writing within ten days thereafter.

3. Applicant shall not extend or furnish water service outside its present service area and shall not contiguously extend thereto until such time as suitable filtering equipment is installed at Well No. 2, and water analyses indicate satisfactory levels of iron and manganese content. Such analyses shall be mailed to the Commission within twenty days after installation of the treatment facilities.

4. For the year 1965, applicant shall apply the depreciation rates set forth in Table 1-A of Exhibit 1. Until review indicates otherwise, applicant shall continue to use these rates. Applicant shall review its depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rates shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the remainder by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to the Commission.

5. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within ninety days after the effective date of this order, applicant shall file with the Commission two copies of this map, drawn to an indicated scale of not more than 400 feet to the inch.

6. Applicant shall maintain its books of account in accordance with the provisions set forth in the Uniform System of Accounts for

Class D Water Utilities, and shall establish a work order system to support plant additions.

7. Applicant shall adjust the recorded balances in his Plant, Reserve for Depreciation and Advances for Construction accounts as of December 31, 1964, to agree with the staff adjusted balances as shown in the tabulation on page 3 of Exhibit 1.

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

Dated at San Francisco, California, this 27th day of APRIL, 1965.

Fredrick B. Hallock
President

James E. Mitchell

George T. Hoover

Rogers

William W. Bennett
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Southwood Park and Tract No. 6, Southwood Park Subdivision, Corby Manor Subdivision, Village Green Subdivision, and vicinity, located approximately one mile south of the City of Santa Rosa, Sonoma County.

(T)
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(T)

RATES

		<u>Per Meter</u>	
		<u>Per Month</u>	
Quantity Rates:			
First	500 cu.ft. or less	\$ 4.00	(I)
Next	500 cu.ft., per 100 cu.ft.30	
Next	1,000 cu.ft., per 100 cu.ft.25	
Over	2,000 cu.ft., per 100 cu.ft.20	
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 4.00	
For	3/4-inch meter	4.75	
For	1-inch meter	6.00	
For	1 1/2-inch meter	8.50	
For	2-inch meter	12.00	
For	3-inch meter	17.50	
For	4-inch meter	28.00	(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. 4

PRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

The unincorporated area known as Southwood Park and Tract No. 6, (T)
Southwood Park Subdivision, Corby Manor Subdivision, Village Green Subdi-
vision, and vicinity, located approximately one mile south of the City
of Santa Rosa, Sonoma County. (T)

RATEPer Month

For each inch of diameter of service connection	\$1.50
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SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS--Contd.

detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

5. For water delivered for other than fire protection purposes, charges shall be made therefor under Schedule No. 1, General Metered Service.

6. 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.