

ORIGINALDecision No. 69030

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 ARTHUR W. NICHOLLS, doing business
 as the DUTCH FLAT WATER WORKS, under
 Section 454 of the Public Utilities
 Code for authority to increase rates
 for water service.

Application No. 47044
 (Filed October 15, 1964)

O P I N I O N

Arthur W. Nicholls, doing business as Dutch Flat Water Works, requests annual service rates, the elimination of certain seasonal schedules and consolidation of some flat rate charges. Also, a service charge type of meter rate is requested to replace the present minimum type. The calculated requested average increase for flat rate customers is about 49 percent; for metered customers it is 30 percent. The large percentage increase in flat rate revenues is due primarily to the requested elimination of the seasonal flat rate schedule. The proposed meter quantity rates are very similar to the present quantity rates above the minimum. The system, described in the application, serves 55 metered and 31 flat rate customers in the community of Dutch Flat, Placer County.

In accordance with standard practice, applicant, at the Commission's request, advised his 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 seven customers. All replies stated that the proposed increases were excessive. Four customers asked for retention of seasonal rates; three stated that the utility uses

mains owned by others. One customer complained of poor quality water.

A review of the Commission's informal complaint files for the two years preceding January 1965 revealed that no informal complaints concerning this utility had been filed.

Applicant appears to be rendering satisfactory service. He has a water supply permit issued by the State Department of Public Health and water tests have shown the water quality to be consistently satisfactory.

Results of the staff's investigation are included in a report, dated March 17, 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 rate recommendations. The staff's study is hereby included in this record as Exhibit 1.

A 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 ^a	Estimated Year 1965			
		Present Rates		Proposed Rates	
		Staff ^e	Applicant	Staff ^e	Applicant
<u>Operating Revenues</u>					
Metered Service	\$2,296	\$2,300	\$ -	\$2,980	\$2,982
Flat Rate Service	928	930	-	1,390	1,385
Total	3,224	3,230	3,012 ^c	4,370	4,367
<u>Operating Revenue Deductions</u>					
Payroll	1,386 ^b	1,800	-	1,800	1,800
Purchased Water	1,013 ^c	900	-	900	1,050
Materials	35	60	-	60	60
Rent (Office, Shop & Reservoir)	170	350	-	350	355
Insurance	93	150	-	150	150
Transportation	-	60	-	60	60
Rate Case	-	80	-	80	80
Miscellaneous Repairs	46	50	-	50	30
Uncollectibles	19	20	-	20	20
Office Supplies	93	100	-	100	95
Total Expenses	2,855	3,570	3,700 ^d	3,570	3,700
Depreciation	147	150	160	150	160
Taxes Other Than Income	180	200	200	200	200
Income Taxes	-	-	-	70	45
Total Deductions	3,182	3,920	4,060	3,990	4,105
Net Revenue	42	(690)	(1,048)	380	262
Rate Base	3,341	3,890	6,309	3,890	6,309
Rate of Return	1.3%	Loss	Loss	9.8%	4.2%

(Red Figure)

- As recorded with staff accounting adjustments.
- Includes \$480 owner's salary.
- Increased \$40 to reflect restatement on accrual basis.
- Not detailed in application.
- To nearest \$10.

The principal differences between the staff's and applicant's estimates and recorded data, appearing in the items of utility plant, depreciation reserve and rate base, are explained in detail in Exhibit 1.

After taking into account the various factors which might be considered in arriving at the reasonable level of earnings to be allowed this utility, the staff recommends that rates be increased to produce gross revenues of \$4,286 for the estimated year 1965.

This increase would produce a return of 8 percent on the staff

rate base. These recommended rates will produce a 33 percent increase over the revenues at present rates. The recommended rates would result in little or no increase for present annual service customers; they would increase the average annual bill, for present seasonal metered service customers, from \$24.00 to \$40.20 and, for present seasonal flat rate service customers, from \$22.40 to \$39.60.

We find that the estimates of operating revenues, expenses (including taxes and depreciation), rate base, and rate of return 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, applicant, Arthur W. Nicholls, doing business as Dutch Flat Water Works, 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 June 1, 1965, or four days after the date of filing, whichever is later.

2. Within forty-five days after the effective date of this order, applicant shall file a revised tariff service area map, appropriate general rules, and copies of printed forms that are normally used in connection with customers' services. Such a filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

3. For the year 1965, applicant shall apply a depreciation rate of 2 percent to the original cost of depreciable plant. Until review indicates otherwise, applicant shall continue to use this rate. Applicant shall review his depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the difference 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.

4. On or before July 1, 1965, applicant is authorized and directed to place on his books of account the amounts for utility plant and depreciation reserve (as of December 31, 1964) which have been herein found to be reasonable as of that date; provided

that by petition in this proceeding filed before July 1, 1965,
applicant may request authority to use different amounts.

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

Dated at San Francisco, California, this 11th
day of MAY, 1965.

[Signature] President

George T. Throver

[Signature]

[Signature]
Commissioners

Commissioner Frederick B. Holoboff, being
necessarily absent, did not participate
in the disposition of this proceeding.

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The community of Dutch Flat and vicinity, Placer County.

RATES

Annual Service Charge:	<u>Per Meter</u> <u>Per Year</u>
For 5/8 x 3/4-inch meter.....	\$40.20
For 3/4-inch meter.....	48.00
For 1-inch meter.....	66.00
For 1 1/2-inch meter.....	90.00
Monthly Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
For the first 3,000 cu.ft., per 100 cu.ft.	\$.14
For all over 3,000 cu.ft., per 100 cu.ft.06

The Annual 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 Rates.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated service charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.

(Continued)

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS (CONT'D)

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual service charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

The community of Dutch Flat and vicinity, Placer County.

RATES

	<u>Per Service Connection Per Year</u>
For each residence of two rooms or less.....	\$27.60
For each residence of three rooms or more...	39.60
For sprinkling or irrigation of lawns, shrubbery and gardens, inclusive:	
For the first 1,000 sq.-ft. or less of irrigated area	6.00
For all over 1,000 sq.-ft. of irrigated area, per 100 sq.-ft.60
For the post office building, each store or other commercial enterprise.....	42.00
For each lodge hall.....	36.00

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.

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (CONT'D)

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. 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, payment or refund of the prorated difference between such flat rate payment and the meter service charge for the period shall be made on or before that day.

4. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

5. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.