

ORIGINALDecision No. 69391

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of LOYAL W. WESTERMAN and
NINA WESTERMAN, dba GRENADA WATER
COMPANY, under Section 454 of the
Public Utilities Code, for authority
to increase rates for water service.

Application No. 47332
(Filed February 16, 1965)

O P I N I O N

Applicants seek increases in flat rates for water service of about 67 percent. Although applicants have meter rates on file, all service is rendered at flat rates to about 50 customers in the vicinity of Grenada, Siskiyou County.

At the request of the Commission, applicants, on March 3, 1965, delivered a notice to each customer comparing present rates with those proposed in the application and inviting the customers to call to the attention of the Commission any problems concerning water service, billing procedures or other factors pertaining to a reasonable charge for water service. Replies were received from five customers, all of whom complained of poor service and the failure of applicants to inform the customers when the water was turned off while repairs were being made. One customer also complained of sand in the water and another user objected to applicants' failure to appoint a competent man to maintain the system. Three of the protestants stated that they would not object to the increase if the service were good. Several customers indicated that the recent installation of a new pump has improved service but the system still lacks proper maintenance.

A review of the informal complaint files of the Commission revealed that, since January 1, 1963, no informal complaints have been filed against this utility.

A Commission staff engineer and a Commission staff financial expert conducted an investigation and prepared a joint report dated May 13, 1965. 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 due to the poor service, applicants have lost several customers who have drilled wells and are now utilizing water therefrom. A milk processing plant which has its own well is charged an unauthorized \$5 monthly flat rate standby charge.

The following tabulation presents results of operation for the calendar year 1963, a comparison of the staff's and applicants' results of operation for the estimated year 1964 under present and proposed rates, and the staff's estimate for 1965 under present and proposed rates.

Item	1963		1964 Estimated				1965 Estimated	
	Applicants		Present Rates		Proposed Rates		Staff	
	Adjusted*	Adjusted#	Staff	Applicants	Staff	Applicants	Staff	Applicants
Operating Rev.#								
Unmetered Sales	\$1,692.00	\$1,850	\$1,692	\$3,085	\$2,820	\$1,850	\$3,085	
Operating Rev.Ded.								
Payroll	1,200.00	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Materials	88.22	100	100	100	100	100	100	100
Transportation	120.00	120	120	120	120	120	120	120
Accounting	125.00	50	125	50	125	50	50	50
Rate Case(Prorate)	-	100	-	100	-	100	100	100
Insurance	17.50	20	20	20	20	20	20	20
Billing & Collect.	51.00	30	60	30	60	30	30	30
Power	542.57	500	550	500	550	500	500	500
Uncollectibles	38.00	20	40	30	40	20	30	30
General	-	-	35	-	35	-	-	-
Telephone	42.00	40	40	40	40	40	40	40
Office Rent,Light	200.00	210	210	210	210	210	210	210
Total Expenses	\$2,424.29	\$2,390	\$2,500	\$2,400	\$2,500	\$2,390	\$2,400	
Depreciation	180.00	164	180	164	180	180	180	180
Taxes Other Than								
Income	56.09	130	60	130	60	130	130	130
Income Taxes	-	-	-	66	-	-	55	55
Total Ded.	\$2,660.38	\$2,684	\$2,740	\$2,760	\$2,740	\$2,700	\$2,765	
Utility Oper.Inc.	(965.38)	(834)	(1,048)	325	80	(850)	320	
Rate Base	-	1,827	2,184	1,885	2,184	2,575	2,575	
Rate of Return	-	Loss	-	17.2%	3.66%	Loss	12.4%	

(Red Figure)

* These adjusted figures are the 1963 recorded figures to which applicants have added \$1,200 for unrecorded payroll.

These revenues do not include any revenue for water service to a six-unit apartment house owned by applicants.

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

The staff has recommended that rates be increased approximately 58 percent to yield gross revenues of \$2,925 for the estimated year 1965, or a return of 7.0 percent on the staff rate base.

The staff has included an allowance in rate base for a portion of the cost of replacing some very small mains and recommends that applicants be required to replace these mains with not less than 4-inch mains. The staff also recommends that applicants obtain a business telephone in the town of Grenada in order that they can be contacted by their customers. These recommendations are reasonable and applicants will be required to comply. Recommendations of the staff for changes in the form of applicants' rates 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 1965 are reasonable for the purpose of prescribing rates herein and that a rate of return of 7 percent is fair and reasonable. 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. 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, Loyal W. Westerman and Nina Westerman, doing business as Grenada Water Company, are authorized to file the revised rate schedules attached to this order as Appendix A. The effective date of the revised schedules shall be August 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, applicants shall file a revised service area map, appropriate general rules and sample copies of printed forms that are normally used in connection with customers' services. Such filings 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. Applicants shall prepare and keep current the system map required by paragraph 1.10.a. of General Order No. 103. Within ninety days after the effective date of this order, applicants shall file with the Commission two copies of this map.

4. For the year 1965 applicants shall apply a depreciation rate of 2.5 percent to the original cost of the depreciable plant. Until review indicates otherwise, applicants shall continue to use this rate. Applicants shall review their 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 result 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. Applicants shall set up an adequate accounting system and shall record therein the balances in the plant and reserve for depreciation accounts as determined by the staff as of December 31, 1963 in Exhibit 1, adding thereto additions and retirements occurring subsequent to the foregoing date as required. Applicants shall submit to the Commission a copy of the journal entry necessary to accomplish this within sixty days after the effective date of this order.

6. Within ninety days after the effective date of this order, applicants shall have installed a business telephone in the town of Grenada. Applicants shall notify the Commission, in writing, within ten days after this has been accomplished.

7. Applicants shall progressively replace at least 750 feet of small mains in the service area within five years with pipe of not less than 4-inch diameter. Applicants shall prepare a program for these replacements and shall submit to the Commission a copy of this program within sixty days after the effective date of this order.

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

Dated at San Francisco, California, this 13th day of JULY, 1965.

Fredrick C. Harshoff
President

George L. Traver

Wagoner

William W. Beards
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Grenada, and vicinity, Siskiyou County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 600 cu.ft. or less	\$ 4.50	(I) (I)
Next 1,400 cu.ft., per 100 cu.ft.40	
Over 3,000 cu.ft., per 100 cu.ft.30	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 4.50	
For 3/4-inch meter	6.00	
For 1-inch meter	9.00	
For 1 1/2-inch meter	15.00	
For 2-inch meter	24.00	

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

APPENDIX A
Page 2 of 2

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Grenada, and vicinity, Siskiyou County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
1. For a single-family residential unit, or first unit of a hotel or motel, including premises not exceeding 6,000 sq.ft. in area	\$5.00	(I)
a. For each additional residential unit, or hotel or motel unit, on the same premises and served from the same service connection ..	2.75	(N)
b. For each commercial unit on the same premises and served from the same service connection, including taverns, service stations, barber shops and grocery stores	3.00	(I)
c. For each 100 sq.ft. of premises in excess of 6,000 sq.ft.05	(I)
2. Standby charge for creamery on County Road	5.00	(N)

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.

(N)