

**ORIGINAL**Decision No. 69441

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of H. R. FINE, doing business as )  
NORMAN TRACT WATER SYSTEM, under )  
Section 454 of the Public Utilities )  
Code for Authority to Increase Rates )  
for Water Service. )

Application No. 47439  
(Filed March 26, 1965)

O P I N I O N

H. R. Fine, doing business as Norman Tract Water System, seeks authority to increase his rates for water service.

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 to this Commission concerning this utility during the past 2½ years.

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

Service Area and Water System

Applicant provides flat rate water service to some 46 residential customers in an area known as the Norman and Vernal Vista Tracts, located east of Fresno, in Fresno County.

The source of supply consists of metered connections with the system of Fresno County Water Works District No. 4. The distribution system consists of approximately 4,000 feet of mains, varying from four to six inches in diameter.

Rates and Rules

Applicant's present rates were established in 1954. They consist of a schedule of flat rates for residential and commercial use.

Applicant proposes to increase the rates for residential service. Since the area now served is solely residential, applicant proposes to cancel the commercial rates. The Commission staff concurs with the limiting of flat rates to residential users, but recommends that a meter rate schedule be established for use in the future if conditions change or if any unusual service is requested which could not be served equitably under flat rates. We find that the staff recommendation is reasonable.

Following is a comparison of applicant's present residential rates, those requested in the application, and those recommended by the Commission staff in Exhibit No. 1:

TABLE I  
COMPARISON OF RATES

<u>Item</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	
		<u>Applicant</u>	<u>Staff</u>
Single-family Residential Unit	\$3.50	\$4.50	\$4.20
Each Additional Unit	1.00	1.50	1.20
Each 100 sq.ft. of Premises in Excess of 8,000 sq.ft.	.03	.05	.04

Applicant's present tariff service area map, and most of his rules and forms, were filed in 1955. The Commission staff recommends that applicant file up-to-date maps, rules, and forms.

Results of Operations

Summarized in Table II, from Exhibit No. 1 and from Exhibit "E" to the application, are the Commission staff's and applicant's estimates of operating results for the test year 1965 under the present rates and under those proposed in the application. Also shown are the staff's estimates of results under the rates recommended in Exhibit No. 1 and authorized herein.

TABLE IIRESULTS OF OPERATION

	<u>Present Rates</u>		<u>Proposed Rates</u>		<u>Authorized Rates</u>
	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>	
Operating Revenues	\$1,935	\$1,932	\$2,485	\$2,484	\$2,330
Operating Expenses	<u>1,890</u>	<u>1,859</u>	<u>1,970</u>	<u>1,985</u>	<u>1,945</u>
Net Revenue	45	73	515	499	385
Rate Base	5,500	6,947	5,500	6,947	5,500
Rate of Return	0.8%	1.0%	9.4%	7.2%	7.0%

From Table II it can be seen that applicant's requested rates would result in an increase of 28 percent in operating revenues, whereas the rates recommended by the Commission staff and authorized herein will produce a 20 percent increase.

The only significant difference between the estimates of the staff and those of applicant is the \$1,447 difference in rate base. This results primarily from: (1) adjustment by the staff for an unrecorded retirement of land at \$250; (2) erroneous use by applicant of average depreciation reserve for the year 1964, which reserve is \$153 lower than the corresponding reserve for the year 1965; (3) adjustment by the staff for unrecorded contributions of \$705 resulting from termination of a main extension agreement; and (4) allowance by the staff, because flat rates are collected in advance, of \$370 less working capital than is estimated by applicant.

Findings and Conclusions

The Commission finds that:

1. a. Applicant is in need of additional revenues but the proposed rates set forth in the application are excessive.

b. The staff's estimates, previously summarized and discussed herein, of operating revenues, operating expenses and rate base for the test year 1965 reasonably represent the results of applicant's future operations.

c. A rate of return of seven percent on applicant's rate base is reasonable.

d. 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.

2. Applicant's present tariff service area map, rules and printed forms are not up-to-date.

3. Applicant does not have on file with this Commission copies of a current system map.

4. A straight-line remaining life depreciation rate of 2.0 percent is reasonable for applicant's plant.

5. A public hearing is not necessary.

The Commission concludes that the application should be granted to the extent set forth in the order which follows and that applicant should be required to take the actions set forth therein.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant H. R. Fine 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 September 1, 1965, or four days after the date of filing, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

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 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. Applicant 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, applicant shall file with the Commission two copies of this map.

4. For the year 1965, applicant shall apply a depreciation rate of 2.0 percent to the original cost of the 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 the plant; (2) dividing the result by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of the plant. The results of each review shall be submitted promptly to the Commission.

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

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

Frederick B. Holshoff  
President  
George E. Crow  
Augustin

Commissioners

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

Commissioner William M. Bennett, 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

The unincorporated areas known as Norman Tract and Vernal Vista Tract, and vicinity, located immediately southeast of the intersection of McKinley and Cedar Avenues, east of the City of Fresno, Fresno County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less .....	\$ 3.50
Next 500 cu.ft., per 100 cu.ft. ....	.25
Next 1,000 cu.ft., per 100 cu.ft. ....	.20
Over 2,000 cu.ft., per 100 cu.ft. ....	.15
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 3.50
For 3/4-inch meter .....	4.25
For 1-inch meter .....	7.00
For 1 1/2-inch meter .....	10.00
For 2-inch meter .....	12.50
For 3-inch meter .....	20.50
For 4-inch meter .....	27.00

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

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service. (T)

TERRITORY

The unincorporated areas known as Norman Tract and Vernal Vista Tract, and vicinity, located immediately southeast of the intersection of McKinley and Cedar Avenues, east of the City of Fresno, Fresno County. (T)

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
For a single-family residential unit, including premises not exceeding 8,000 sq.ft. in area .....	\$4.20	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection .....	1.20	(I)
b. For each 100 sq.ft. of premises in excess of 8,000 sq.ft. ....	.04	(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)