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ORIGINAL

Decision No. 69920

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of C. Wesley Bird, doing business)
as Anoosh-Van Water System, for)
Authority to Increase Rates for)
Water Service.)

Application No. 47703
(Filed June 24, 1965)

O P I N I O N

C. Wesley Bird, doing business as Anoosh-Van 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 received letters from four customers and a petition with forty-eight signatures, protesting the amount of the proposed increase and the hardness of the water, as discussed in a Commission staff report, hereby made a part of the record as Exhibit No. 1. The report states that there have been no informal complaints to this Commission concerning this utility since January 1, 1965, but that of the customers who responded to the Commission's invitation to point out service problems, two complained of a peculiar taste in the water, two complained of occasional low pressure, and two protested the proposed reduction from one-inch to 3/4-inch in the size of service pipe eligible for flat rates.

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.

In regard to the complaints as to the hardness and taste of the water, Exhibit No. 1 states that the Health Department of the County of Fresno makes monthly tests of the water and that, as of July 28, 1965, all tests have proven the water to be potable. No complaints have been filed with the Health Department against this utility.

In regard to the low pressure complaints, Exhibit No. 1 shows that operating pressures range from 35 to 50 psi, well within the limits prescribed by General Order No. 103.

In regard to the reduction in size of service pipe eligible for flat rates, the staff recommended that the flat rate service rates be made applicable to service connections not larger than one inch in diameter. This will permit either 3/4-inch or one-inch pipes.

Service Area and Water System

Applicant provides flat rate water service to some thirty-five customers in an area known as Tract No. 1274, located southeast of Fresno, in Fresno County.

The source of supply consists of two wells, equipped with pumps and hydropneumatic tanks. The distribution system consists of approximately 3,100 feet of mains, varying from four to six inches in diameter. There are four fire hydrants, in addition to the thirty-five flat rate services.

Rates and Rules

Applicant's present rates were established in 1956. They consist of a schedule of flat rates for residential and commercial use. Applicant proposes to increase the present flat rates and asks that a meter rate schedule be established.

Following is a comparison of applicant's present flat rates and those requested in the application:

TABLE I
COMPARISON OF MONTHLY RATES

<u>Item</u>	<u>Present Rates*</u>	<u>Proposed Rates#</u>
Single-family residential unit	\$3.50	\$5.00
Each additional unit	1.00	1.50
Each 100 sq.ft. of premises in excess of 8,500 sq.ft.	.03	.04
Each store, market or office	3.50	5.00
Each gasoline service station	4.50	6.00
Each evaporative cooler, during June through September	.50	.75

* For 1-inch service

For 3/4-inch service

The meter rates proposed by applicant would provide for a minimum monthly charge of \$4.50 per month for service through a 5/8 x 3/4-inch meter. Rates for use in excess of 900 cubic feet per month would range from 40 cents to 20 cents per hundred cubic feet, depending on the monthly use. Minimum charges for larger meters would range from \$7 for a 3/4-inch meter to \$60 for a 4-inch meter.

A footnote to Exhibits C and E attached to the pleading indicates that applicant's request for flat rates to apply only to 3/4-inch service connections is based upon the size of pipe normally used by customers. Applicant's tariffs, however, relate to the size of the utility's service pipe and connection rather

than the customers' pipes. The Commission staff recommends that the flat rates apply to all service connections not larger than one inch in diameter. We find that the staff recommendation is reasonable to avoid unnecessary metering of all existing 1-inch services.

The uniform flat rate for both 3/4-inch and 1-inch services creates a problem in designing meter rates which bear a proper relationship to the flat rates. For example, a customer receiving unlimited quantities of water through a 1-inch flat rate service would pay only \$5 per month at the rates authorized herein but the installation of a 1-inch meter would result in a monthly minimum charge under applicant's proposed meter rates of more than double the flat rate. In addition, the 1-inch meter rate customer would have to pay an extra amount for any water used in excess of 2,700 cubic feet during any month. This problem has been mitigated by authorizing herein meter rates with less than the customary differential between minimum charges for the three smallest sizes of meters. Appropriate modification has been made to the quantity rates, consistent with this concept.

Applicant made no showing as to the reasonableness of his proposed meter rate. He apparently does not intend to undertake the metering of any significant number of services in the near future so overall revenues would not be affected by too high or too low a meter rate in relation to the flat rates. Nevertheless, whatever rates are authorized should avoid undue discrimination between the flat rate users and even a single customer who may receive metered service. In the absence of any estimates in the record as to the probable average monthly consumption of future meter rate customers, we will authorize meter

rates which will result, for meter sizes up to and including one inch, in monthly charges equal to the \$5 flat rate when average monthly metered consumption per customer is a little more than 1,300 cubic feet. At applicant's proposed meter rates, the charge for an equal quantity of water would have been \$6.23 for a 5/8 x 3/4-inch meter and \$11.50 for a 1-inch meter.

The staff recommends that a schedule be established for public fire hydrant service. This would establish a reasonable charge to be made at such time as there is a duly organized fire district or other political subdivision to which such service can be supplied. We find that the staff's recommendation is reasonable.

The staff did not recommend any changes in applicant's filed tariff service area map and rules.

Results of Operations

Summarized in Table II, from Exhibit No. 1 and from Exhibit D 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.

TABLE II

RESULTS OF OPERATION

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Staff</u>	<u>Applicant</u>	<u>Staff</u>	<u>Applicant</u>
Operating Revenues	\$1,470	\$ 1,438	\$2,100	\$ 1,870
Operating Expenses	<u>1,745</u>	<u>1,447</u>	<u>1,800</u>	<u>1,447</u>
Net Revenue	(275)	(9)	300	423
Rate Base	17,200	19,746	17,200	19,746
Rate of Return	Loss	Loss	1.7%	2.1%*

(Red Figure)

* Incorrectly shown by applicant as 0.25%

From Table II it can be seen that applicant's requested rates would result in an increase of about 30 to 40 percent in operating revenues.

The staff's comments with respect to the results of operation analysis are as follows:

- a. Operating Revenues - The difference in revenue estimates between staff and applicant is due to the difference in estimated number of customers. The staff estimated 35 customers, whereas applicant apparently estimated 34 under present rates and 31 under proposed rates.
- b. Operating Expenses - Applicant did not show these amounts in detail. The staff based its estimates of these amounts, other than power and pumping, on similar charges made by other utilities of a comparable size. The staff's estimate of power and pumping was based on the amount charged for power in 1964 with an allowance for a small amount of growth. Rate case expense was estimated at \$200 to be prorated over 5 years.
- c. Depreciation Expense - Applicant computed depreciation expense on total utility plant rather than depreciable plant which accounts for the difference of \$57 in the staff's and applicant's estimates.

Accounting Records

Exhibit No. 1 states that applicant maintains no formal books of account with the exception of customers' ledger. The staff checked invoices supporting plant additions and, where such invoices were not available, obtained cost data from suppliers and contractors who were responsible for installing the water system. The following tabulation presents a comparison of the balances in the plant accounts and related reserve for depreciation as determined by the staff with the equivalent thereof set forth in Exhibit "B" to the application, as of December 31, 1964.

TABLE III
UTILITY PLANT AND DEPRECIATION RESERVE

<u>Item</u>	<u>December 31, 1964</u>	
	<u>Staff</u>	<u>Applicant</u>
Intangible Plant	\$ 350.00	\$ -
Landed Capital	2,000.00	2,000.00
Structures	657.40	782.59
Wells	1,149.01	3,299.41
Pumping Equipment	3,530.58	884.78
Reservoirs and Tanks	3,517.00	3,840.00
Trans. & Dist. Mains	6,909.65	7,618.36
Services	1,048.07	1,225.57
Hydrants	500.00	-
Total	19,661.71	19,650.71
Reserve for Depreciation	<u>2,381.00</u>	<u>1,467.45</u>
Net Plant	\$17,280.71	\$18,183.26

The staff recommends that applicant adjust his utility plant and depreciation reserve accounts to agree with the figures developed by the staff, and to use a straight-line remaining life depreciation rate of 2.5 percent.

Findings and Conclusions

The Commission finds that:

- I. a. Applicant is in need of additional revenues.
- b. The staff's estimates, previously summarized and discussed herein, of operating revenues, operating expenses and rate base for the test year 1965 herein adopted reasonably represent the results of applicant's future operations.
- c. A rate of return of 1.7 percent on applicant's rate base is not in excess of a reasonable return.
- 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, in so far as they differ from those prescribed herein, are for the future unjust and reasonable.

A. 47703 led

2. A straight-line remaining life depreciation rate of 2.5 percent is reasonable for applicant's plant.

3. The utility plant and depreciation reserve accounts, as corrected by the Commission staff, are reasonable.

4. A public hearing is not necessary.

The Commission concludes that the application should be granted as 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 C. Wesley Bird, doing business as Anoosh-Van Water System, 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 December 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. For the year 1965, applicant shall apply a depreciation rate of 2.5 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 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.

3. Applicant shall adjust the utility plant and depreciation reserve accounts, as of December 31, 1964, to agree with the staff determination thereof, as set forth in the preceding opinion.

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

Dated at San Francisco, California, this 9th day of November, 1965.

Friedrich B. Hallock
President
George T. Turner
William B. Bennett
Commissioners

APPENDIX A
Page 1 of 4

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Anoosh-Van Park Tract No. 1274, located one-half mile south of Fresno, Fresno County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less	\$ 4.00
Next 1,500 cu.ft., per 100 cu.ft.30
Next 7,500 cu.ft., per 100 cu.ft.25
Over 10,000 cu.ft., per 100 cu.ft.20
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 4.00
For 3/4-inch meter	4.50
For 1-inch meter	5.00
For 1 1/2-inch meter	10.00
For 2-inch meter	20.00
For 3-inch meter	40.00
For 4-inch meter	60.00

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 4

Schedule No. 2

(T)

GENERAL FLAT RATE SERVICE

APPLICABILITY

(T)

Applicable to all flat rate water service.

TERRITORY

Ancosh-Van Park Tract No. 1274, located one-half mile south of Fresno, Fresno County.

RATES

Per Service Connection
Per Month

(T)

1. For a single-family residential unit, including premises not exceeding 8,500 sq.ft. in area	\$ 5.00	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.50	
b. For each 100 sq.ft. of premises in excess of 8,500 sq.ft.04	
2. For each store, market or office	5.00	
3. For each gasoline service station ...	6.00	
4. For each noncirculating type evaporative cooler, in addition to regular rates, during months of June, July, August and September75	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter. (N)

(Continued)

APPENDIX A
Page 3 of 4

Schedule No. 2

(T)

GENERAL FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

2. All service not covered by the above classifications shall be furnished only on a metered basis.

(N)

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)

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

Anoosh-Van Park Tract No. 1274, located one-half mile south of Fresno, Fresno County.

RATE

	<u>Per Month</u>
For each 2 $\frac{1}{2}$ -inch wharf hydrant	\$2.00
For each 4-inch hydrant	4.00
For each 8-inch hydrant	8.00

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.

2. Relocation of any hydrant shall be at the expense of the party requesting relocation.

3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the ownership, type and the size of hydrant and the specific location at which each is to be installed.

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.