

ORIGINALDecision No. 70051

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of SELMA K. JONES, doing business
as ELK GROVE WATER WORKS, under
Section 454 of the Public Utilities
Code for authority to increase rates
for water service.

Application No. 47481
(Filed April 8, 1965)
(Amended June 30, 1965)

O P I N I O N

Selma K. Jones (Elk Grove Water Works) seeks increases in water rates to provide an overall increase in revenues of approximately 16.2 percent. The present basic monthly charge of \$2.35 per month for single-family residences including 4,000 square feet for irrigation would be increased to \$3.25 per month with 8,000 square feet for irrigation. The present charge of \$1 per month for each additional residence on the same premises and served from the same service connection would be increased to \$1.75 per month. Other charges would be increased, and the establishment of charges for swimming pools and evaporative coolers is proposed. The minimum quantity charge under the general metered service schedule would be increased from \$2 to \$2.70 for 800 cubic feet or less of water. Increases in the remaining blocks are proposed. No changes in the public and private fire protection schedules are proposed.

As of December 31, 1964, the utility served about 863 customers in and adjacent to the town of Elk Grove in Sacramento County. About 810 customers are billed on a flat rate basis while approximately 53 customers are charged meter rates. There are 101 fire hydrants.

At the request of the Commission, applicant mailed to each customer, on April 23, 1965, a notice 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 thirteen customers, all complained of the high proposed rates. Six customers also complained of the new evaporative cooler rate, three complained of poor service, three complained of erroneous billings and two complained of the new swimming pool rate. A review of the informal complaint files of the Commission reveals that, during the period from January 1, 1963 to June 1, 1965, one informal complaint, regarding improper billing, was filed against this utility. This complaint has been recently resolved.

The results of a staff investigation of applicant's operations are included in a report dated October 22, 1965, which report is incorporated in the record herein as Exhibit No. 1. This report shows that the utility maintains a record of customers' complaints in accordance with paragraph 1.8. of General Order No. 103. There were eight complaints filed during the year 1964. These complaints included six complaints of low pressure and two complaints of dirty water. The utility claims that all of these complaints have been satisfactorily adjusted.

Included in Exhibit No. 1 is a comparison of operating results at present and proposed rates as developed by the staff, with similar data developed by applicant. This comparison is set forth in Table I below.

TABLE I
Results of Operation

Item	1964# Recorded	Estimated Year 1965				Recommended Rates-Staff
		Present Rates		Proposed Rates		
		Staff	Appli- cant	Staff	Appli- cant	
<u>Operating Revenues</u>						
Metered Sales	\$ 5,309 ^a	\$ 5,400	\$ 5,300	\$ 6,900	\$ -	\$ 5,400
Unmetered Sales	28,516 ^{a,b}	25,400	29,460	28,400	-	26,200
Fire Protection Service	2,376	2,400	2,400	2,400	-	2,400
Other Sales	-	4,000	-	5,600	-	4,000
Total Operating Rev.	36,201	37,200	37,160	43,300	43,090	38,000
<u>Deductions</u>						
Operating Expenses	19,450 ^c	23,590	23,590	23,590	23,590	23,590
Depreciation	7,467 ^d	5,040	8,200	5,040	8,200	5,040
Taxes Other Than Income	2,769	3,650	4,000	3,650	4,000	3,650
Income Taxes	602 ^e	230	220	1,760	1,465 ^f	390
Total Deductions	30,288	32,510	36,010	34,040	37,255	32,670
Net Revenue	5,913	4,690	1,150	9,260	5,835 ^f	5,330
Rate Base	-	76,200	78,124	76,200	78,124	76,200
Rate of Return	-	6.2%	1.47%	12.2%	7.47%	7.0%

After accounting adjustments.

- a. Increased metered and unmetered sales \$96 and \$487, respectively, to reflect revenues on an accrual basis.
- b. Does not include free water provided to two employees and four churches equivalent to \$307 per year at filed tariff rates.
- c. Increased operating expenses by \$728 to reflect adjustment of salary capitalized on an arbitrary basis and unrecorded uncollectibles.
- d. Depreciation expense reduced by \$254 in accordance with staff adjustments to plant for salary capitalized 1956 through 1964.
- e. Staff computed allowance for state and federal income taxes including investment tax credit.
- f. Computed by staff from amendment to application.

An accounting adjustment was made by the staff to eliminate an arbitrary annual charge to plant accounts of \$1,200 (\$2,200 for the year 1959) beginning in 1956, for construction supervision by the owner's son. There are no records to support these charges except for some sketchy diary entries which confirm the fact

that some supervisory work actually was performed.^{1/} Excluding the arbitrary overheads, total plant additions for the period from 1956 through 1964 totaled \$144,701, of which \$98,398 was financed by main extension agreements. These main extension agreements included only \$835 in charges for supervision.

The staff and applicant are in virtual agreement concerning the total operating revenue estimate for the year 1965. The staff, however, set out separately sales of construction water, which is shown as "other sales". The staff report indicates that applicant's estimate of operating expenses appears to be reasonable. The staff estimates differ from those of applicant with respect to depreciation expense, taxes (other than income), and rate base. The staff estimate of depreciation expense is based on the straight-line remaining life method, which provides lower accruals for the test year than does the straight-line total life method employed by applicant. For taxes (other than income), the difference between staff and applicant is primarily due to the staff's lower estimate for property taxes, which is based on actual tax rates and assessment ratios.

Differences in rate base development are set forth in Table 2, which follows:

TABLE 2
Rate Base Calculations

<u>Item</u>	<u>Estimated 1965</u>	
	<u>Staff</u>	<u>Applicant</u>
<u>Rate Base</u>		
Average Utility Plant	\$234,822	\$238,397
Average Depreciation Reserve	65,703	68,573
Average Depreciated Plant	169,119	169,824
Materials and Supplies	1,000	1,000
Less:		
Average Advances for Construction	89,544	88,400
Average Contributions in Aid of Construction	4,332	4,300
Rate Base	76,243	78,124
Used by Staff	76,200	

^{1/} The Uniform System of Accounts for Water Utilities specifically prohibits the addition to plant accounts of arbitrary amounts which bear no relationship to work actually performed.

The staff recommends a rate of return of 7.0 percent as a fair return for this utility. This rate of return applied to the staff's 1965 rate base of \$76,200 would produce net operating revenues of \$5,330. The required increase in gross operating revenues over revenues at present rates would be \$800, an increase of 2.2 percent.

The staff recommends that applicant be authorized to file a rate schedule for construction and other temporary service which was not previously on file. The staff does not recommend the establishment of a swimming pool rate, but that these customers be metered. The staff also recommends that applicant be required to do the following:

1. File a comprehensive map showing the location of all of its plant facilities.
2. Use the remaining life depreciation rates shown in Table 1-A of Exhibit No. 1 until such time as review indicates that they should be revised.
3. Develop an additional source of supply should the total number of customers served exceed 1,200.
4. Adjust its books of account to reflect plant, reserve for depreciation, and contributions in aid of construction at December 31, 1964, at the adjusted amounts set forth in the tabulation at the top of Page 5 of Exhibit No. 1.

We find that the estimates of operating revenues, expenses (including taxes and depreciation), rate base, and rate of return submitted by the staff in Exhibit No. 1 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.

We further find that the staff recommendations enumerated above are reasonable.

We conclude that 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 Selma K. Jones 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 January 1, 1966, 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' service. Such 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. 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.

4. For the year 1965, applicant shall apply the depreciation rates set forth in Table 1-A of Exhibit No. 1. Until review indicates otherwise, applicant shall continue to use these rates. Applicant shall review her 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 result by the estimated remaining life of 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 develop an additional source of water supply before the total number of customers served exceeds 1,200.

6. Applicant shall adjust her books of account to reflect plant, reserve for depreciation, and contributions in aid of construction at December 31, 1964, at the adjusted amounts set forth in the tabulation at the top of page 5 of Exhibit No. 1 in this proceeding.

7. Except to the extent granted herein, Application No. 47481 is denied.

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

Dated at San Francisco, California, this 7th day of DECEMBER, 1965.

Frederick B. Holcomb
President

George G. Grover

Augustus

William L. Benson
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Elk Grove and vicinity, Sacramento County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 800 cu.ft. or less	\$ 2.00	(T)
Next 4,200 cu.ft., per 100 cu.ft.15	
Next 15,000 cu.ft., per 100 cu.ft.10	
Over 20,000 cu.ft., per 100 cu.ft.075	

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.00	
For 3/4-inch meter	3.05	
For 1-inch meter	5.30	
For 1 1/2-inch meter	7.00	
For 2-inch meter	10.00	
For 3-inch meter	20.00	
For 4-inch meter	30.00	
For 6-inch meter	54.00	
For 8-inch meter	90.00	(N)

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

(T)
|
(T)

(T)
|
(T)

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Elk Grove and vicinity, Sacramento County.

RATES

	<u>Per Service Connection Per Month</u>	
1. For a single-family residential unit, including premises not exceeding 4,000 sq.ft. in area	\$2.45	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.00	(T)
b. For each 100 sq.ft. of premises in excess of 4,000 sq.ft.025	(T)
2. For each office, public hall or lodge room	2.00	(T)
3. For each grocery or produce market, bakery, beauty shop, or other commercial establishment where water is used for commercial operations	2.50	(I)

SPECIAL CONDITIONS

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

2. For service covered by the above classifications, if either 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. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

(T)

TERRITORY

Elk Grove and vicinity, Sacramento County.

(T)

RATES

	<u>Per Month</u>
For each 4-inch connection	\$ 7.00
For each 6-inch connection	10.00
For each 8-inch connection	13.00
For each 10-inch connection	16.00

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.

(T)

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

(T)

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard 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.

(T)

(T)

5. 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.

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.

(T)

TERRITORY

Elk Grove and vicinity, Sacramento County.

(T)

RATE

Per Month

For each 4" x 2½" single outlet fire hydrant \$2.00

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.

(N)

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.

(N)

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.

Schedule No. 9C

CONSTRUCTION AND OTHER TEMPORARY SERVICE

APPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

Elk Grove and vicinity, Sacramento County.

RATE

For water delivered to tank wagons or trucks,
per 100 cu.ft. (750 gallons) \$0.25

SPECIAL CONDITIONS

1. For temporary uses other than by delivery to tank wagons or trucks, an estimate of the quantity of water used will be made by the utility. The charge for this water will be made at the quantity rates for General Metered Service.
2. The applicant for such temporary service shall be required to pay to the utility in advance the net cost of installing and removing facilities necessary in connection with furnishing such service by the utility.
3. The applicant for temporary service shall be required to deposit with the utility a sum of money equal to the estimated amount of the utility's bill for such service or to otherwise secure, in a manner satisfactory to the utility, the payment of any bills which accrue by reason of such service so furnished or supplied.