

Decision No. 71619**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 E. S. CURTIS, doing business as the )  
 CURTIS WATER COMPANY, under Section )  
 454 of the Public Utilities Code )  
 for authority to increase rates for )  
 water service. )

Application No. 48495  
 (Filed May 23, 1966)

O P I N I O N

E. S. Curtis, doing business as Curtis Water Company, 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. Inasmuch as the notice showed only the increases requested in residential rates, a supplemental letter was sent to the four business customers in applicant's service area advising them that applicant requests comparable percentage increases for all customers.

The Commission received letters from five customers protesting the amount of the proposed increase, as discussed in a Commission staff report hereby received as Exhibit No. 1. The report states that there have been no informal complaints to this Commission concerning this utility since January 1, 1963, but that some of the customers who were interviewed by the Commission's staff complained of occasional low pressure during periods of maximum use.

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. Operating pressures were measured at about 35 psi at the time of the staff's field investigation. Applicant agreed to increase the pressure control settings at the well pumps to operate between 40 and 60 psi.

Service Area and Water System

Applicant provides flat rate water service to some 130 customers in an area known as El Rancho Park Subdivision, located adjacent to the eastern city limits of Hanford, in Kings County.

The source of supply consists of two wells, equipped with pumps and hydropneumatic tanks. The distribution system consists of approximately 7,000 feet of mains, varying from four to six inches in diameter. Exhibit No. 1 states that the present source of supply is adequate to serve about 350 customers.

Rates and Rules

Applicant's present meter and residential flat rates were established in 1956 and his motel flat rates in 1958. Applicant proposes to increase the present rates and asks that certain additional business flat rates be established.

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

TABLE I  
COMPARISON OF MONTHLY FLAT RATES

<u>Item</u>	<u>Present Rates</u>	<u>Applicant's Proposal</u>	<u>Staff's Recommendation</u>
Single-family Residential Unit	\$ 3.50	\$ 6.00	\$ 4.80
Each 100 sq.ft. of Premises in			
Excess of 10,000 sq.ft.	0.03	0.05	0.04
Evaporative Cooler, May - Sept.:			
Water Recirculating Type	0.25	0.45	0.00
Water Wasting Type	0.50	0.85	0.00
Motels:			
First Unit, Office & Utility Room	6.00	10.00*	8.00
Each Additional Unit	0.65	1.00*	0.85
Other Commercial Users:			
Store, Market, Shop or Office	3.00#	5.00*	4.00
Restaurant	12.00#	20.00*	16.00
Service Station	6.00#	10.00*	8.00

# Unauthorized flat rates charged in the past, as indicated in a staff memorandum hereby received as Exhibit No. 2.

\* Assumed proposal, based upon applicant's request for "similar" increases in these categories.

The unused present rates for metered service provide for a basic minimum charge of \$3.00 per month for 1,000 cubic feet or less through a 5/8 x 3/4-inch meter. Rates for use in excess of 1,000 cubic feet per month range from 20 cents to 12 cents per hundred. Appropriately greater minimum charges are provided for larger sizes of meters. Applicant proposes to increase the basic minimum charge to \$5.00 per month and to increase similarly the rates for use in excess of the amount allowed for the minimum charge. Under similar circumstances the Commission has concluded<sup>1/</sup>

1/ Decision No. 71487, dated November 1, 1966, in Application No. 48439 of Laton Water Company, a utility located about eight miles north of Hanford.

that a service charge type of meter rate schedule would be more equitable. Such a schedule is authorized in the order herein, at a level commensurate with the flat rates authorized herein.

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

### Results of Operation

Applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in Table II, from the staff's Exhibit No. 1 and from applicant's Exhibit E, are the estimated results of operation for the test year 1966, under present water rates, those proposed by applicant, and those recommended by the staff:

TABLE II  
ESTIMATED RESULTS OF OPERATION  
TEST YEAR 1966

<u>Item</u>	<u>Staff</u>	<u>Applicant</u>
<u>At Present Rates</u>		
Operating Revenues	\$ 6,600	\$ 6,083
<u>Deductions</u>		
Expenses Excl. Depr. Uncollect. & Taxes	4,770	4,133
Depreciation	1,220	1,374
Taxes Other Than on Income	650	505
Subtotal	<u>6,640</u>	<u>6,012</u>
Uncollectibles	60	0
Income Taxes	0	0
Total	<u>6,700</u>	<u>6,012</u>
Net Revenue	(100)	71
Rate Base	27,760	38,360
Rate of Return	Loss	0.2%
<u>At Rates Proposed by Applicant</u>		
Operating Revenues	\$11,400	\$10,425
<u>Deductions</u>		
Excl. Uncollect. & Inc. Taxes	6,640	6,012
Uncollectibles	100	0
Income Taxes	890	883
Total	<u>7,630</u>	<u>6,895</u>
Net Revenue	3,770	3,530
Rate Base	27,760	38,360
Rate of Return	13.6%	9.2%
<u>At Rates Recommended by Staff</u>		
Operating Revenues	\$ 8,900	-
<u>Deductions</u>		
Excl. Uncollect. & Inc. Taxes	6,640	-
Uncollectibles	90	-
Income Taxes	370	-
Total	<u>7,100</u>	-
Net Revenue	1,800	-
Rate Base	27,760	-
Rate of Return	6.5%	-

(Red Figure)

### Operating Revenues and Expenses

From Table II it can be seen that applicant's requested rates would result in an increase of 73 percent in operating revenues, whereas the rates recommended by the staff will produce a 35 percent increase.

Applicant's revenue and expense records have not been kept in a proper manner. The staff's estimates of these items were explained and justified in Exhibit No. 1, appear reasonable, and are adopted herein.

### Depreciation and Rate Base

Applicant's plant and depreciation records have not been kept in a proper manner. The Commission staff made a study of invoices and other supporting data relating to plant investment and used it in developing the 1965 year-end plant balances shown in detail on page 3 of Exhibit No. 1. Consistent with this, the staff recomputed a depreciation reserve balance using depreciation rates which this Commission had authorized applicant to use. The staff's estimates of depreciation expense and rate base appear reasonable and are adopted herein.

The staff informed applicant of the deficiencies in accounting for his utility investment and operations. Applicant has agreed to set up adequate books of account to meet the requirements of this Commission's prescribed Uniform System of Accounts for Class D Water Utilities.

### Rate of Return

The staff recommends a rate of return of 6.5 percent as a fair return for this utility. This appears to be within the range of reasonableness for applicant's operations. The rates authorized herein are designed to produce the revenue required for that rate of return.

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 adopted estimates, previously summarized and discussed herein, of operating revenues, operating expenses and rate base for the test year 1966 reasonably represent the results of applicant's future operations.

c. A rate of return of 6.5 percent on rate base is reasonable for applicant's operations.

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 has not prepared the system map prescribed by General Order No. 103.

3. Applicant has not kept his books and records in conformity with this Commission's requirements.

4. The balances of utility plant and depreciation reserve accounts at December 31, 1965, as corrected by the Commission staff, are reasonable. Recorded balances, to the extent they differ from the corrected balances, are unreasonable.

5. 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 E. S. Curtis 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 16, 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. 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 such map, drawn to an indicated scale of not more than 400 feet to the inch.

3. On or before December 31, 1966, applicant shall establish, and thereafter shall maintain, formal books of accounts in conformity with the Uniform System of Accounts for Class D Water Utilities, prescribed by this Commission.

4. In the books of accounts established pursuant to the preceding paragraph, applicant shall record the staff adjusted balances for utility plant and reserve for depreciation as of:

December 31, 1965, as set forth in the tabulation titled "Utility Plant and Depreciation Reserve" on page 3 of Exhibit No. 1 in this proceeding.

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

Dated at San Francisco, California, this 24<sup>th</sup> day of NOVEMBER, 1966.

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President

Frederick B. Holbrook  
William L. Bernick  
August  
Commissioners

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

Commissioner George G. Grover did not participate in the disposition of this proceeding.



APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as El Rancho Park Subdivision, and vicinity,  
located about one-half mile from the eastern limits of the City  
of Hanford, Kings County.

(T)  
(T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		(N)
For 5/8 x 3/4-inch meter .....	\$ 2.50	
For 3/4-inch meter .....	3.00	
For 1-inch meter .....	3.75	
For 1 1/2-inch meter .....	5.00	
For 2-inch meter .....	8.00	

Quantity Rates:

For the first 5,000 cu.ft., per 100 cu.ft. ...	\$ 0.15
For all over 5,000 cu.ft., per 100 cu.ft. ...	0.10

The 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.

(N)

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service

(T)

TERRITORY

The area known as El Rancho Park Subdivision, and vicinity, located about one-half mile from the eastern limits of the City of Hanford, Kings County.

(T)

RATES

Per Service Connection  
Per Month

1.	For a single-family residential unit including premises not exceeding 10,000 sq.ft. in area	\$ 4.80	(I)
a.	For each 100 sq.ft. of premises in excess of 10,000 sq.ft. . .	.04	
2.	For each hotel, apartment or motel including first unit, office and utility rooms . . . . .	8.00	
a.	For each additional unit . . . . .	.85	(I)
3.	For each store, market, shop or office . . . . .	4.00	(N)
4.	For each restaurant . . . . .	16.00	
5.	For each service station . . . . .	8.00	(N)

(Continued)

Schedule No. 2

GENERAL FLAT RATE SERVICE  
(Continued)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one-inch in diameter. (T)

2. All service not provided for above shall be furnished on a metered basis only.

3. If either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service. (T)