

**ORIGINAL**Decision No. 72127

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 R. C. and ETHEL V. SOULTS, doing  
 business as the VALLEY VIEW WATER  
 CO. under Section 454 of the Public  
 Utilities Code for authority to  
 increase rates for water service.

Application No. 48627  
 (Filed July 15, 1966)

O P I N I O N

R. C. and Ethel V. Soultis, doing business as Valley View Water Co., seek authority to increase rates for water service to about 90 flat rate customers near Porterville, Tulare County.

Service

As set forth in a Commission staff report hereby received as Exhibit No. 1, at the request of this Commission applicants 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. There were no written replies to the notice. In recent years no informal complaints have been filed.

The Commission staff performed a field investigation in September 1966. Facilities were inspected, pressures were checked and customers were interviewed. There were no complaints regarding service nor were there any protests to the proposed rate increase. The water system appeared to the staff to be properly designed and installed within the minimum standards set forth in General Order No. 103.

Rates

Applicants have not complied with ordering paragraph 2 of Decision No. 60651, dated August 30, 1960, in Application No. 42316, which required them to refile the rates and rules of the utility which they had purchased or to file a notice of adoption of the then filed rates and rules. Applicants have been applying the rates of the former owners.

Following is a comparison of applicants' present flat rates, those requested by applicants, 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>Applicants' Proposal</u>	<u>Staff's Recommendation</u>
Single-family Residential Unit, including premises not exceeding 8,500 sq.ft. in area	\$4.00	\$5.00	\$ 5.00
Each 100 sq.ft. of premises in excess of 8,500 sq.ft.	.03	.04	.04
Commercial Establishment	-	-	12.00
Fire Hydrant, per hydrant	-	2.00	2.00

Lot sizes were found by the staff to vary from 8,000 to more than 10,000 square feet, but applicants have not been applying their excess area charge for those lots larger than 8,500 square feet. There is no filed rate for the \$12.00 per month presently being charged a laundromat.

Applicants' filed rates include a schedule for general metered service, under which no service is presently rendered.

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Applicants propose that the present monthly minimum charge of \$3.25 for a 5/8 x 3/4-inch meter, which includes the first 1,000 cubic feet of water, be increased to \$4.00 and that succeeding blocks be increased by about 25 percent. The staff recommends a somewhat simplified version of the applicants' proposal.

Results of Operation

Table II presents the results of operation, after staff accounting adjustments, for the recorded year 1965 and a comparison of applicants' and the staff's estimated results of operation for the year 1966 under present and proposed rates.

TABLE II  
RESULTS OF OPERATION

Item	1965 Reported#	1966 Estimated			
		Present Rates		Proposed Rates	
		Staff	Applicants	Staff	Applicants
<u>Operating Revenues</u>					
Unmetered Sales	\$ 3,779 <sup>a</sup>	\$ 4,320	\$ 3,888	\$ 5,400	\$ 4,860
Other Water Revenue	3	-	-	-	-
Total Operating Revenue	\$ 3,782	\$ 4,320	\$ 3,888	\$ 5,400	\$ 4,860
<u>Operating Revenue Deductions:</u>					
<u>Operating Expenses</u>					
Purchased Power	\$ 975 <sup>b</sup>	\$ 1,100		\$ 1,100	
Management Salaries	720 <sup>b</sup>	300		300	
Office Salaries	720 <sup>b</sup>	300		300	
Operation & Maint.	1,175	500		500	
Office Supplies & Expense	34	40		40	
Accounting	18 <sup>b</sup>	-		-	
Telephone	84 <sup>b</sup>	60		60	
Rent	300 <sup>b</sup>	200		200	
Uncollectibles	65 <sup>a</sup>	30		30	
Rate Case (5 yr. pro rata)	-	30		30	
Total Operating Exp.	\$ 4,091	\$ 2,560	\$ 2,400 <sup>c</sup>	\$ 2,560	\$ 2,400 <sup>c</sup>
Depreciation Expense	\$ 1,071 <sup>a</sup>	\$ 1,090	\$ 1,291	\$ 1,090	\$ 1,291
Taxes Other Than on Income	\$ 346	\$ 780	\$ 691	\$ 780	\$ 691
Income Taxes	-	-	-	-	\$ 72
Total Operating Revenue Deductions	\$ 5,508	\$ 4,430	\$ 4,382	\$ 4,430	\$ 4,454
Net Revenue	\$ (1,726)	\$ (110)	\$ (494)	\$ 970	\$ 406
Rate Base	-	\$27,400	\$29,571	\$27,400	\$29,571
Rate of Return	-	-	(1.7)%	3.5%	1.4%

(Red Figure)

# After staff accounting adjustments.

a. Adjusted to an accrual basis.

b. Unrecorded expenses estimated by owner.

c. Not segregated as to classification of expense.

Applicants' accounting records for revenues, expenses, depreciation and plant have not been kept in a proper manner as set forth in Exhibit No. 1. The staff's estimates, explained and justified in Exhibit No. 1, appear reasonable for the purpose of testing applicants' showing and are adopted herein. Under either showing, the indicated rates of return are appreciably lower than the rates of return generally found to be reasonable for small water utilities.

Findings and Conclusions

The Commission finds that:

1. Applicants are in need of additional revenues.
2. The adopted estimates of operating revenues, operating expenses and rate base for the test year 1966 reasonably represent the results of applicants' future operations.
3. A rate of return of 3.5 percent is lower than the rates of return generally found to be reasonable for small water utilities.
4. 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.
5. Applicants have not kept their books and records in conformity with this Commission's requirements.
6. 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.
7. 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 applicants 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, applicants C. R. Soultz and Ethel V. Soultz, doing business as Valley View Water Co., are 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 April 1, 1967, 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. Applicants 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, applicants shall file with the Commission two copies of this map, drawn to an indicated scale of not more than 400 feet to the inch.

3. Applicants shall record in the books of accounts 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" in Exhibit No. 1 in this proceeding.

4. For the year 1966, applicants shall apply a depreciation rate of 2.6 percent to the original cost of depreciable plant. Until review indicates otherwise, applicants shall continue to use this rate. Applicants shall review the

depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. The results of each review shall be submitted promptly to the Commission.

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

Dated at San Francisco, California, this 7<sup>th</sup> day of MARCH, 1967.

[Signature]  
President

[Signature]

[Signature]

William Bennett

Paul P. Monahan  
Commissioners

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

Valley View Park, Tract No. 307, and vicinity, located approximately (T)  
1 mile northeast of Porterville, Tulare County. (T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 1,000 cu.ft. or less .....	\$ 4.00	(I)
Next 2,000 cu.ft., per 100 cu.ft. ....	.25	(I)
Over 3,000 cu.ft., per 100 cu.ft. ....	.15	(N)
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 4.00	(I)
For 3/4-inch meter .....	6.00	
For 1-inch meter .....	10.00	
For 1 1/2-inch meter .....	14.00	
For 2-inch meter .....	20.00	(I)

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

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Valley View Park, Tract No. 307, and vicinity, located approximately 1 mile northeast of Porterville, Tulare County.

RATES

	<u>Per Service Connection Per Month</u>
1. For a single family residence, including premises not exceeding 8,500 sq. ft. in area .....	\$ 5.00
For each 100 sq. ft. of area in excess of 8,500 sq. ft. ....	.04
2. For each commercial establishment .....	12.00

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 classification will be furnished only on a metered basis.

3. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.



Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, organized fire districts and other political subdivisions of the State.

TERRITORY

Valley View Park, Tract No. 307, and vicinity, located approximately 1 mile northeast of Porterville, Tulare County.

RATE

	<u>Per Month</u>
For each hydrant .....	\$2.00

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, General Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.