

ORIGINAL

Decision No. 72609

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of WINTON WATER COMPANY, INC.,
under Section 454 of the Public
Utilities Code, for authority to
increase rates for water service.)

Application No. 48757
Filed September 2, 1966

Irvin Heppner, for applicant.
Kane and Canelo by Thomas J. Kane,
for Winton Chamber of Commerce,
et al., protestants.
J. E. Johnson, for the Commission
staff.

O P I N I O N

Applicant's present rates were established under authority of Decision No. 61474, dated February 14, 1961, in Application No. 41820. They appear to have been put into effect about a year later.

The present proposal is for a 20 percent increase in all rates. The only one of much significance is the basic residential flat rate. It is proposed to increase this from \$3.75 per month to \$4.50 per month. A public hearing was held before Examiner Power at Winton on February 2, 1967 and the matter was submitted:

The staff's estimated rate base for 1966 showed average plant of \$117,906; from this \$19,720, average reserve for depreciation, and \$44,572, average advances for construction, were deducted. The staff allowed \$1,000 for materials and supplies and \$1,200 for working cash. The average depreciated rate base, rounded, was \$55,800; applicant's equivalent figure was \$60,200. The differences between

the staff and applicant arose from certain inaccuracies in applicant's records. Applicant did not have all of its main extension contracts recorded in its books of account, nor did it possess copies of all of these. With some difficulty the staff was able to determine and classify the amounts of plant additions financed by advances for construction.

Other items requiring adjustment included failure to record plant retirements, erroneous classification of plant account charges, and failure to record certain plant additions. It appears that the staff adjustments will make for greater accounting accuracy and should be adopted.

The staff figures for revenues, expenses and rate base will be adopted.

The staff made certain rate proposals in its Exhibit No. 1. One was based on the possibility that applicant would carry out six improvements which applicant had proposed. At the hearing applicant's witness proposed a seventh betterment. (These are listed in Appendix B, the first six being Items a. through f. and the new one being designated as Item g.)

By a late-filed exhibit (No. 4) applicant agreed to complete all seven of these improvements and indicated that it could find the necessary funds.

The question of rates and rates of return are closely related to this question of improvements in a way which will be explained.

Winton is in a growth area. It is in Merced County, eight miles northwest of Merced and three miles north of Atwater. Winton is close to Castle Air Force Base.

At the time of the hearing, building and land development were depressed in Winton as elsewhere. Steps have been taken by the Federal Government to relieve this situation. There is thus a possibility that there will be a resumption of growth in the Winton Community.

With this possibility in mind the financial position of the company should be examined. For the test year 1966 the staff found average depreciated plant to be \$98,186, while average advances for construction amounted to \$44,572, or approximately 45 percent of net plant. In other words, the ratio of advances for construction to net utility plant is slightly under the maximum 50 percent limitation prescribed in the Commission's existing main extension rule. Any further expansion under the main extension rule may be seriously affected unless this ratio can be reduced. If the seven improvements listed in Appendix B are installed, it is assumed that such improvements will be financed by either debt or equity resulting in a reduction of the existing ratio of advances to net utility plant.

They are also needed for improvement of the service. The staff pointed out that there are about 40,000 linear feet of pipe in this system, of which almost half is two inches or less in diameter. The principal complaint heard from users was that pressures are frequently substandard during periods of heavy use.

Applicant's present tariffs provide that flat rates apply to a customer having a service connection not larger than one inch in diameter. It appears, however, that there are several commercial customers presently billed at flat rates who have services larger than one-inch diameter. The flat rates authorized in this proceeding, therefore, will permit flat rate service to such customers but

applicant will be required to submit a proposal for eventual metering of services larger than one inch in diameter.

The seven betterments listed in Appendix B include 1,925 linear feet of 6-inch main. This will relieve the poor service situation to some extent, but is not the complete solution. Applicant will be required to submit a proposal for replacing pipe of substandard diameter.

The staff made three rate proposals based on different circumstances. The first was for a 6.5 percent rate of return and would involve a gross increase of \$3,150 and a percentage increase of 11.3 percent. This was predicated upon applicant's written agreement to complete the first six improvements (Items a. through f. on Appendix B) within one year.

The second staff proposal was for a rate of return of 6 percent which the staff considered adequate if applicant was unwilling or unable to make the six improvements. In that event, of course, the present inadequate service would continue.

The third staff recommendation was for a gross increase of 17.4 percent or \$4,840, which the staff estimated would yield 7 percent on rate base. This was recommended as a permanent rate after timely completion of the six improvements.

Since the seventh improvement (Item g. on Appendix B) was not proposed until the hearing, it was not considered by the staff in preparing its exhibit. (The table below includes this improvement.)

The Commission will adopt for initially authorized rates the staff's third rate of return recommendation, with an adjustment for improvement Item g. The applicant's proposed rates will be adopted. These are expected to yield 7.1 percent on a rate base of

\$74,900. This rate base would have been the average in 1967 if the seven improvements had been installed during that year. These rates will be authorized initially for one year only so that the Commission will retain control of the situation and be in a position to exert pressure, if necessary, for prompt completion of the improvements.

The Commission adopts the staff's second rate of return recommendation for the situation that would prevail if the plant improvements set forth in Appendix B herein should not be completed prior to July 1, 1968.

1967 Estimated Results of Operation

<u>Item</u>	<u>Proposed Rates Without Improvements</u>	<u>Authorized Rates</u>	
		<u>With Im- provements¹</u>	<u>Without Im- provement</u>
Operating Revenues	\$33,400	\$33,400	\$30,700
Operating Expenses	21,200	21,200	21,200
Depreciation Expense	2,950	3,320	2,950
Taxes other than Income	2,830	3,090 ²	2,830 ²
Income Taxes	1,050	470 ²	300 ²
Total Operating Revenue Deductions	28,030	28,080	27,280
Utility Operating Income	5,370	5,320	3,420
Rate Base	56,300	74,900	56,300
Rate of Return	9.5%	7.1%	6.0%

1 Includes all seven projects on Appendix B.

2 Includes allowance for investment tax credit.

The Commission finds that:

1. Winton Water Company, Inc., is a public utility water system serving approximately 520 unmetered customers in the community of Winton, Merced County.

2. The present rates of applicant became effective on February 13, 1962 and were authorized by Decision No. 61474 in Application No. 41820.

3. Applicant's service does not fully meet utility standards at present and applicant provides flat rate service through service connections larger than one-inch diameter, contrary to its presently effective tariffs.

4. The completion of the seven betterments listed in Appendix B to the following order will relieve service deficiencies for the immediate future, but a further program for the installation of main line pipe of larger diameter is needed.

5. The balances of the utility plant, reserve for depreciation and advances for construction accounts as adjusted by the Commission staff in its Exhibit No. 1 most accurately reflect the true accounting situation of the applicant as of December 31, 1965.

6. Applicant does not possess copies of all of its main extension agreements.

7. With completion of all of the improvements described on Appendix B, hereto attached, applicant's 1967 rate base would be \$74,900, plus or minus unplanned additions, retirements and related depreciation since January 1, 1967. Without completion of any of the improvements, applicant's 1967 rate base would be \$56,300, plus or minus unplanned additions, retirements and related depreciation since January 1, 1967.

8. The Commission finds that the estimates of operating revenues, expenses, including taxes and depreciation, and the rate bases as submitted by the staff for the years 1966 and 1967, as modified herein, reasonably represent the results of applicant's operations for the purposes of this proceeding.

9. Applicant's proposed rates would provide a rate of return of 7.1 percent, reasonable for this utility on a rate base of

\$74,900, which rate base would include all of the improvements described in Appendix B.

10. Applicant's proposed rates would provide an excessive rate of return of 9.5 percent on a rate base of \$56,300, which rate base would not include the improvements described in Appendix B.

11. The Commission staff's recommendations as set forth in Exhibit No. 1 are reasonable and should be carried out.

12. 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.

The Commission concludes that the application should be granted to the extent set forth in the order which follows:

O R D E R

IT IS ORDERED that:

1. Winton Water Company, Inc., is authorized to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedules of rates attached to this order as Appendix A, and upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after July 1, 1967 to and including June 30, 1968.

2. The seven additions and betterments listed in Appendix B hereto attached shall be completed to the satisfaction of the Commission prior to July 1, 1968, in which case the increased temporary rates of Appendix A will be made permanent by supplemental order in this proceeding.

3. Within one hundred eighty days after the effective date of this order applicant shall develop and file with the Commission a systematic program for additions and betterments in addition to those listed in Appendix B, including, but not limited to, the increase of diameters of main line pipe, together with a program for the metering of flat rate customers having service connections larger than one inch in diameter.

4. Applicant shall record on its books of account, the staff's adjusted balances of utility plant, reserved for depreciation and advances for construction accounts as of December 31, 1965 shown on page 4 of Exhibit No. 1.

5. Applicant shall obtain and maintain in its files, copies of all of its main extension contracts.

6. Applicant shall continue to use the straight-line remaining life method of depreciation, and submit periodic reviews thereof.

7. Applicant shall submit to the Commission a depreciation review reflecting the additions and betterments described in Appendix B as of January 1 of the year following completion of such improvements. Such review shall be submitted not later than March 31 of the year following completion of the improvements.

8. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within fifteen months after the effective date of this order, applicant shall file with the Commission two copies of this map.

9. If applicant, by July 1, 1968, shall not have satisfactorily completed the improvements listed in Appendix B hereto, it will be required, by supplemental order in this proceeding, to

file the rate schedules set forth in Appendix C to the order herein, to become effective upon expiration of the temporary rates authorized herein.

10. If applicant, by July 1, 1968, shall have completed only part of the plant improvements listed in Appendix B hereto, it will be required, by supplemental order in this proceeding, to file rate schedules at an intermediate level between the rates set forth in Appendix A and Appendix C to the order herein.

11. On or before May 15, 1968, applicant shall file with this Commission a written report setting forth the status of completion of the various plant improvements listed in Appendix B herein, together with the costs thereof, estimated if not yet known.

The effective date of this order shall be June 27, 1967 as to the rate filings authorized by paragraph 1 hereof. In all other respects the order shall be effective twenty days after the date hereof.

Dated at San Francisco, California, this 9th day of JUNE, 1967.

[Signature]
President

[Signature]

[Signature]
Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

-9- Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. LX (T)

TEMPORARY METERED SERVICE (T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Winton and vicinity, Merced County. (T)

RATES

	<u>Per Meter Per Month</u>	
Quantity Rates:		
First 800 cu.ft. or less	\$ 4.20	(I)
Next 4,200 cu.ft., per 100 cu.ft.36	
Over 5,000 cu.ft., per 100 cu.ft.24	
Minimum Charge:		
For 5/8 x 3/4-inch meter	4.20	
For 3/4-inch meter	6.00	
For 1-inch meter	9.00	
For 1 1/2-inch meter	15.50	
For 2-inch meter	21.50	

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

SPECIAL CONDITION

This schedule shall be effective only to and including June 30, 1968, (N)
and shall thereafter be withdrawn. (N)

Schedule No. 2X

(T)

TEMPORARY GENERAL FLAT RATE SERVICE

(T)

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Winton and vicinity, Merced County.

(T)

RATES

	<u>Per Service Connection Per Month</u>	
1. For a single-family residential unit, including premises not exceeding 9,000 sq.ft. in area	\$ 4.50	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	2.10	
b. For each 100 sq.ft. of premises in excess of 9,000 sq. ft.02	
2. For each commercial laundrette, per washing machine.	1.80	
3. For each freezer locker plant.....	6.00	
4. For each store, market, shop or service station.	4.50	
5. For each hotel, apartment or motel, including first unit, office and utility room.	4.50	
a. For each additional unit.	2.10	(I)

SPECIAL CONDITIONS

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

(Continued)

Schedule No. 2X

(T)

TEMPORARY GENERAL FLAT RATE SERVICE
(Continued)

(T)

SPECIAL CONDITIONS - Contd.

2. If the utility so elects, a meter shall be installed and service provided under Schedule No. IX, Temporary Metered Service.

(N)

3. This schedule shall be effective only to and including June 30, 1968, and shall thereafter be withdrawn.

(N)

Schedule No. 5X (T)

TEMPORARY PUBLIC FIRE HYDRANT SERVICE (T)

APPLICABILITY

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

TERRITORY

Winton and vicinity, Merced County. (T)

RATE

	<u>Per Month</u>	
For each standard type hydrant.	\$ 2.40	(I)
For each wharf type hydrant.	1.20	(I)

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. LX, Temporary Metered Service. (T)
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation. (T)
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. (N)
(N)
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. (T)
(T)
5. This schedule shall be effective only to and including June 30, 1968, and shall thereafter be withdrawn. (N)

APPENDIX B

Improvements to be Installed
Prior to June 30, 1968

	<u>Estimated Cost</u>
a. Replace 20-hp pump with 30 hp at Station 1 and install sand trap	\$ 5,500
b. Replace 465' of 2" main with 6" main from Station 3 south to Walnut Avenue and install hydrant	1,600
c. Install well and pump at Station 9 and install hydrant (Pump in stock)	1,400
d. Replace 200' of 2" main with 6" main in Baxford Acres	600
e. Install 900' of 6" main from end of new 6" main in Baxford Acres under railroad tracks to Station 1 and install hydrant	3,200
f. Replace 360' of 2" main with 6" main from Station 2 to Walnut Avenue & install hydrant ..	1,400
g. Replace 10-hp pump and motor with a 20-hp pump and motor at Station 2, install sand trap and replace 500 gallon tank with a 2000 gallon tank	<u>5,000</u>
Total Estimated Cost	<u>\$18,700</u>

APPENDIX C
Page 1 of 4

Schedule No. 1

(T)

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Winton and vicinity, Merced County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 800 cu.ft. or less	\$ 3.85	(R)
Next 4,200 cu.ft., per 100 cu.ft.33	
Over 5,000 cu.ft., per 100 cu.ft.22	
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 3.85	(R)
For 3/4-inch meter	5.50	
For 1-inch meter	8.25	
For 1 1/2-inch meter	14.50	
For 2-inch meter	20.00	

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

(D)

APPENDIX C
Page 2 of 4

Schedule No. 2

(T)

GENERAL FLAT RATE SERVICE

(T)

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Winton and vicinity, Merced County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>	
1. For a single-family residential unit, including premises not exceeding 9,000 sq.ft. in area	\$ 4.15	(R)
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.95	
b. For each 100 sq.ft. of premises in excess of 9,000 sq.ft.02	
2. For each commercial laundrette, per washing machine	1.65	
3. For each freezer locker plant	5.50	
4. For each store, market, shop or service station	4.15	
5. For each hotel, apartment or motel, including first unit, office and utility room	4.15	
a. For each additional unit	1.95	(R)

(Continued)

Schedule No. 2

(T)

GENERAL FLAT RATE SERVICE
(Continued)

(T)

SPECIAL CONDITIONS

1. The above flat rates apply to a residential service connection not larger than one inch in diameter.

2. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.

(T)

(D)

APPENDIX C
Page 4 of 4

Schedule No. 5 (T)

PUBLIC FIRE HYDRANT SERVICE (T)

APPLICABILITY

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

TERRITORY

Winton and vicinity, Merced County.

RATE

	<u>Per Month</u>	
For each standard type hydrant	\$ 2.20	(R)
For each wharf type hydrant	1.10	(R)

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, Metered Service. (T)

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.

(D)