

**ORIGINAL**Decision No. 72729

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Application No. 48628  
 (Filed July 15, 1966)

O P I N I O N

R. C. and Ethel V. Soultis, doing business as Tulco Water Co., seek authority to increase rates for water service to about 120 flat rate customers near Tulare, Tulare County.

Service

As set forth in a Commission staff report, dated May 24, 1967, hereby received as Exhibit No. 1, at the request of this Commission applicants sent a notice to each customer regarding the requested rate increases, 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

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 an area allowance of 9,000 sq.ft. under present rates and 8,000 sq.ft. under proposed rates	\$4.00	\$5.00	\$5.00
Each 100 sq.ft. of premises in excess of area allowance	.03	.04	.04
Fire Hydrant, per hydrant	-	2.00	2.00

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

Item	1966 Estimated				
	1965 Recorded#	Present Rates Staff	Proposed Rates Applicants	Present Rates Staff	Proposed Rates Applicants
<u>Operating Revenues</u>					
Unmetered Sales	\$ 5,178 <sup>a</sup>	\$ 5,750	\$ 5,568	\$ 7,450	\$ 6,960
Other Water Revenue	5	-	-	-	-
Total Operating Revenues	5,183	5,750	5,568	7,450	6,960
<u>Operating Revenue Deductions</u>					
<u>Operating Expenses</u>					
Purchased Power	1,590 <sup>b</sup>	1,450		1,450	
Management Salaries	900 <sup>b</sup>	400		400	
Office Salaries	720 <sup>b</sup>	400		400	
Operation & Maintenance	788 <sup>d</sup>	650		650	
Office Supplies & Expense	76 <sup>c</sup>	80		80	
Accounting	18 <sup>b</sup>				
Telephone	66 <sup>b</sup>	70		70	
Rent	300 <sup>b</sup>	250		250	
Uncollectibles	132 <sup>a</sup>	50		50	
Rate Case (prorate 5 years)		30		30	
Total Operating Expenses	4,590	3,380	3,000 <sup>f</sup>	3,380	3,000 <sup>f</sup>
Depreciation Expense	1,281	1,190	1,281	1,190 <sup>e</sup>	1,281
Taxes Other Than Income	574	870 <sup>e</sup>	744	870 <sup>e</sup>	744
Income Taxes	-	-	82	120	218
Total Oper. Rev. Deduct.	6,445	5,440	5,107	5,570	5,243
Net Operating Revenue	(1,262)	310	461	1,880	1,717
Rate Base	-	25,400	25,316	25,400	25,316
Rate of Return	-	1.2%	1.8%	7.4%	6.8%

(Red Figure)

- # After staff accounting adjustments.
- a. Adjusted to reflect accounting on an accrual basis.
- b. Unrecorded expenses estimated by applicants.
- c. After elimination of nonutility expenses.
- d. Unrecorded expense estimated by owner and includes \$132, T & D expense, shown in applicants' Exhibit B.
- e. Computed from the average ad valorem taxes for 1965-66 and 1966-67 plus payroll taxes.
- f. Not segregated as to type of expenditure.

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 appear to be in the range generally found to be reasonable for small water utilities. The staff recommends that the requested increases in rates be authorized for the Tulare System, except that the proposed rates for metered service be simplified.

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 7.4 percent is reasonable for this small water utility, considering the quality of service rendered.
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.

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 R. C. Soultz and Ethel V. Soultz, doing business as Tulco Water Co., are authorized to file the revised rate schedules for their Tulare water system, 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 August 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 2.7 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 11<sup>th</sup> day of JULY, 1967

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
Commissioners

APPENDIX A  
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Schedule No. 1

(T)

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Allen Acres, Tract 132, and vicinity, located 3 miles east of Tulare, Tulare County.

(T)  
(T)

RATES

Per Meter  
Per Month

Quantity Rates:

First 1,000 cu.ft. or less .....	\$ 4.00	(I)
Next 2,000 cu.ft., per 100 cu.ft. ....	.25	
Over 3,000 cu.ft., per 100 cu.ft. ....	.15	

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 4.00	
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. 2R

(T)

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential flat rate service furnished on a flat rate basis.

TERRITORY

Allen Acres, Tract No. 132, and vicinity, located 3 miles east of Tulare, Tulare County.

(T)  
(T)

RATES

	<u>Per Service Connection Per Month</u>	
For a single-family residence, including premises not exceeding 8,000 sq.ft. in area .....	\$ 5.00	(I)
For each 100 sq.ft. of area in excess of 8,000 sq.ft. ....	.04	(I)

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than one inch in diameter.

2. 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. (T)



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

Allen Acres, Tract 132, and vicinity, located 3 miles east of Tulare, 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.