

**ORIGINAL**Decision No. 73221

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)  
 CaHill Development Company  
 doing business as:  
 Rancho Sequoia Water Company  
 under Section 454 of the Public  
 Utilities Code for Authority to  
 Increase Rates for Water Service.

Application No. 49323  
 (Filed April 28, 1967)

O P I N I O N

Rancho Sequoia Water Company, a California corporation, seeks authority to increase rates for water service to about 66 customers in Fresno County near the northwest boundary of the City of Fresno.

Service

As set forth in a Commission staff report, dated July 26, 1967, hereby received as Exhibit No. 1, at the request of this Commission applicant 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. Two letters were received from the customers protesting in general the proposed rate increase. In recent years no informal complaints have been filed.

The Commission staff performed a field investigation in June, 1967. Facilities were inspected, pressures were checked and customers were interviewed. Two customers complained of the wasting of water by other customers, and another customer complained of the presence of sand in the water. The staff has advised the utility to

emphasize to customers the need for water conservation. The utility, in 1966, instituted an annual program of flushing mains to be completed prior to the increased demand in summer. The utility is cautioned to diligently continue an adequate program of flushing its mains.

Rates

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, including premises not exceeding 9,000 sq. ft. in area.	\$4.00	\$6.50	\$5.70
Each 100 sq.ft. of premises in excess of 9,000 sq. ft.	.03	-	.03

Since the utility is presently not applying the rate to premises in excess of 9,000 sq.ft., the utility proposes that the excess area charge be cancelled. The staff report states that where meters are not in general use an additive rate is the next best means of making equitable charges for water service.

Applicant's filed rates include a schedule for general metered service, under which no service is presently rendered. Applicant proposes that the present monthly minimum charge of \$3.25 for a 5/8 x 3/4-inch meter, which includes the first 600 cubic feet of water, be increased to \$5.25 and that succeeding blocks be increased by about 50%. The staff recommends for this service a monthly minimum charge of \$4.50 and that succeeding blocks be increased by about 25%.

Results of Operation

Table II presents the results of operation for the recorded year 1966, after staff accounting adjustments, and a comparison of applicant's and the staff's estimated results of operation for the year 1967 under present, proposed and staff recommended rates.

TABLE III

Results of Operation

Item	1966 <sup>#</sup> Adjusted	1967 Estimated				Staff Recom- Rates
		Staff	Applicant	Staff	Applicant	
<u>Operating Revenues</u>	\$3,165 <sup>a,b</sup>	\$ 3,220	\$ 3,140	\$ 5,150	\$ 5,226	\$ 4,550
<u>Operating Revenue Deductions</u>						
<u>Operating Expenses</u>						
Purchased Power	747 <sup>a</sup>	710	-	710	750	710
Management Salaries	950 <sup>c</sup>	240	-	240	1,200	240
Office Salaries	238 <sup>c</sup>	260	-	260	262	260
Operation & Maintenance	202	620	-	620	250	620
Accounting	330 <sup>a</sup>	100	-	100	100	100
Office Supplies & Expense	125 <sup>a</sup>	40	-	40	125	40
Office Rent	190 <sup>c</sup>	240	-	240	210	240
Telephone	114 <sup>c</sup>	110	-	110	114	110
Vehicle Expense	95 <sup>c</sup>	110	-	110	105	110
Water Analysis Fees	100 <sup>c</sup>	120	-	120	100	120
Uncollectibles	31 <sup>a</sup>	30	-	30	-	30
Rate Case	-	30 <sup>e</sup>	-	30 <sup>e</sup>	150	30 <sup>e</sup>
Subtotal	3,122	2,610	3,280	2,610	3,396	2,610
Depreciation	461	410	461	410	461	410
Taxes Other Than Income	204 <sup>a</sup>	300	199	300	230	300
Income Taxes	100 <sup>a</sup>	100	280	480	350	350
Total Deductions	3,887	3,420	4,220	3,800	4,437	3,670
Net Operating Revenue (Loss)	(722)	(200)	(1,080)	1,350	789	880
Rate Base	-	12,600	12,178	12,600	12,478	12,600
Rate of Return	-	-	-	10.7%	6.3%	7.0%

(Red Figure)

# After staff accounting adjustments, and inclusion of unrecorded company expenses.

- Adjusted to reflect accounting on an accrual basis.
- Elimination of penalty collected on overdue customer bills.
- Unrecorded expenses estimated by owner for nine months.
- Reclassification - to reflect transfer of 1966 current rate case expenditures to Account 116, Other Deferred Debits.
- Prorated over five years.

The staff having recommended rates substantially lower than those requested applicant on July 31, 1967, was furnished a copy of Exhibit No. 1 and requested to advise the Commission if the applicant had any substantial objection to the staff recommendations. Applicant was advised that if it did have any substantial objection that a hearing would be set at an early date for such objections to be recorded. Applicant's reply was received on August 23, 1967, hereby received as Exhibit No. 2. Applicant stated it did not believe that a substantial objection should be expressed on its part. However, applicant alleged, without supporting detail, that costs of water testing and system maintenance have substantially increased since the filing of the application.

The staff estimates appear to be reasonable since we note the staff estimated operation and maintenance expense and water analysis fees higher for 1967 than those for 1966.

Applicant requested rates which it estimated would yield 6.3 percent on its rate base of \$12,478. The staff recommended rates were estimated to yield 7.0 percent on a rate base of \$12,600. The staff estimated a larger reserve for depreciation than did applicant and included allowances in its rate base for working cash and materials and supplies.

#### Findings and Conclusions

The Commission finds that:

1. Applicant is in need of additional revenues.
2. The adopted estimates of operating revenues, operating expenses and rate base for the test year 1967 reasonably represent the results of applicant's future operations.
3. A rate of return of 7.0 percent is reasonable for this small water utility.

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

6. 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, Rancho Sequoia Water Company 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 four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. For the year 1967, Rancho Sequoia Water Company shall apply a depreciation rate of 2.9 percent to the original cost of depreciable plant. Until review indicates otherwise, Rancho Sequoia Water Company shall continue to use this rate. Rancho Sequoia Water Company shall review its depreciation rate at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate 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 the plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to this Commission.

3. Within twenty days after the effective date of the filing of the rates authorized herein, Rancho Sequoia Water Company shall file an up-to-date tariff sheet, Form No. 3, "Bill for Service", which shall exclude any reference to penalty charges.

4. Rancho Sequoia Water Company shall record on the utility's books of account all expenses pertaining to utility operations, including estimated or prorated costs for management and office salaries, telephone, office rental, transportation and water analysis fees not now being recorded, and adjust the books to an accrual basis at the end of each calendar year.

5. Rancho Sequoia Water Company shall apply to the Fresno County Department of Public Health for a water supply permit and so advise this Commission in writing within thirty days after the effective date of this order.

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

Dated at San Francisco, California, this 24<sup>th</sup> day of OCTOBER, 1967.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners

APPENDIX A  
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Schedule No. 1

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Rancho Sequoia, Tract No. 1723, and vicinity, located north  
of Fresno, Fresno County.

(T)  
(T)

RATES

Per Meter  
Per Month

Quantity Rates:

First 600 cu.ft. or less .....	\$ 4.50
Next 1,400 cu.ft., per 100 cu.ft. ....	.25
Over 2,000 cu.ft., per 100 cu.ft. ....	.20

(I)

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 4.50
For 3/4-inch meter .....	5.50
For 1-inch meter .....	7.50
For 1 1/2-inch meter .....	11.00
For 2-inch meter .....	19.00

(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

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

(T)

TERRITORY

Rancho Sequoia, Tract No. 1723, and vicinity, located north of Fresno, Fresno County.

(T)

RATES

Per Service Connection  
Per Month

For a single-family residential unit,  
including premises not exceeding  
9,000 sq.ft. in area .....

\$5.70

(I)

a. For each 100 sq.ft. of premises in  
excess of 9,000 sq.ft. ....

.03

SPECIAL CONDITIONS

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

(T)

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

(T)