

ORIGINALDecision No. 73921

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of JAMES R. MILLS, doing business)
as SLIDE INN WATER COMPANY, under)
Section 454 of the Public Utili-)
ties Code for authority to)
increase rates for water service.)

Application No. 49711
Filed October 5, 1967

O P I N I O NIntroduction

James R. Mills, doing business as Slide Inn Water Company, requests authority to increase rates for water service in the Slide Inn Subdivision, which is near the community of Long Barn, Tuolumne County.

Ownership and Affiliated Interests

Mr. Mills is the sole owner of the utility. He also does business as Snobowl Water Company, a public utility under this Commission's jurisdiction, serving approximately 20 customers in a subdivision located approximately 1/4 mile northeasterly of the Slide Inn subdivision.

General

The present rates were authorized by Decision No. 55597, dated September 24, 1957, in Case No. 5801, and became effective in October 1957. Mr. Mills requests that the present basic annual flat rate be increased from \$40 to \$78 for a single-family residential unit or business establishment including premises, an increase of 95 percent, and from \$30 to \$42 for each additional residential unit or business establishment on the same premises and served from the same service connection, an increase of 40 percent. He also requests

that the annual minimum charge for metered service be increased from \$39 to \$67.20 for a 5/8 by 3/4-inch meter. All 81 customers are furnished service on a flat rate basis. All service connections are 3/4-inch in diameter.

In accordance with standard practice, applicant, at the Commission's request, advised his customers of the proposed increases and invited them to call to the Commission's attention any problems pertaining to a reasonable charge for water service. Forty-two letters were received including one from the president of the Slide Inn Improvement Association, Incorporated, protesting the proposed rates. Twenty of these letters complained about poor water service and inadequate water supply to meet the demand on long holiday weekends. Approximately 40 property owners belong to the Slide Inn Improvement Association.

In January 1967, a staff financial examiner reviewed and analyzed applicant's records, and inspected applicant's system. During November 1967, a staff engineer made a field investigation of applicant's operations. At that time most of the customers were residing in their permanent homes in other areas. Plant and facilities were inspected, pressures checked, customers interviewed and applicant's operation records examined. Results of the staff's investigation are included in a report dated February 16, 1968. The report includes operating and financial data as well as certain rate and service recommendations. The staff's report is hereby included in this record as Exhibit 1.

System Facilities

The service area is located adjacent to the community of Long Barn. The sources of water are four wells equipped with a total pumping capacity of approximately 32 gpm. Each well is

equipped with a deep well turbine pump; motors are single-phase type ranging from 3/4 to 1-1/2 hp in size. The Creek Well has a water level control on the pump; the remaining three wells are controlled manually. Two wells are within the service area and two are on National Forest land nearby. There are three storage tanks in the system with a total capacity of 62,000 gallons. Only the largest tank, a 40,000-gallon redwood tank, located on the northwest corner of the service area, has a water level indicator. The other two tanks, the 10,000-gallon redwood tank (out of service since the early part of 1967), and the 12,000-gallon steel tank, are located approximately 300 feet from the southeast corner of the service area on National Forest land. Applicant has not maintained adequate records of the water system facilities and has no up-to-date water system map. In connection with this application, applicant's consulting engineer prepared a water system map and an estimate of the original cost of the facilities and related depreciation reserve requirement thereon as of December 31, 1966, based on some available records and some information from Mr. Mills. The map and the appraisal indicated that the distribution system consists of approximately 9,420 feet of various types of pipe ranging in size from 1-inch to 4-inches. There are no fire hydrants or customer service meters in the system. However, three of the four sources of supply are presently metered to measure the pumping production and capacities. Applicant obtained a special use permit dated May 11, 1966 from the United States Department of Agriculture Forest Service, for the use of Forest Service land at an annual charge of \$175.

Water Supply Permit

Applicant's water supply permit was issued in 1958 by the California State Department of Public Health. The results of recent

bacteriological analyses of water samples indicated that the water quality is satisfactory.

Service

Correspondence with the Slide Inn Improvement Association in 1965, 1966 and 1967 (IC-13534-H) in its efforts to bring about improvements in facilities and service and staff field investigations, together with about half of the letters received in connection with the application to increase rates, indicate that the service has been subject to interruptions 12 months of the year, water pressures have been low in the higher areas, water service has been poor, and at times when water problems occur, customers have been unable to communicate with anyone responsible for the operations of the system. Neglect of the system is shown by the fact that the 10,000-gallon redwood storage tank was not used during the summer of 1967 because it needed repairs. Applicant has not made a practice of filling his tanks before the beginning of weekends in the warmest part of the summer.

Needed Improvements

According to the staff, the water supply facilities and the distribution system do not meet the minimum requirements of this Commission's General Order No. 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction"; and the water supply facilities are inadequate to furnish the minimum requirements of the area on a flat rate service basis. In the near future, according to the staff, applicant should repair his 10,000-gallon redwood storage tank and add, in the same general area, another tank of not less than 15,000-gallon capacity together with approximately 800 feet of 2-1/2-inch pipe to interconnect the lower end of the 3-inch transmission main with the Creek Well 2-inch plastic supply main to facilitate the movement of water between the storage tanks in the southeast and the northwest corners of the

serving area, and also install automatic controls on the three pumps which are now controlled manually. There are several water main dead ends consisting principally of pipe of sizes 2 inches and under, with lengths exceeding the maximum length of small pipelines permitted by Section III.2.a. of General Order No. 103. Five dead ends in the water distribution mains should be equipped for flushing, and flushed as often as necessary to maintain the proper quality of the water. The automatic controls, 15,000-gallon storage tank with connecting pipe, and installation of five flushing valves are estimated, by the staff, to cost \$3,150.

Accounting and Financial Data

Formal books of accounts were found to be current and in balance. However, the staff noted the following deficiencies:

- a. Many entries relating to plant additions were not adequately supported or explained.
- b. Some plant retirements have not been recorded.
- c. Although the Uniform System of Accounts for Class D Water Utilities provides that the use of a work order system is not mandatory, a utility of this size should maintain enough basic data to determine unit costs for retirement purposes... The examination revealed that such basic data was not maintained by the utility.

Because of these deficiencies, the staff was unable to verify all recorded plant costs. To arrive at plant costs, applicant relied on his original cost appraisal and related depreciation reserve requirement study which has been reviewed and accepted by the staff. Using the customer ledger, cash book, and supporting documents, the staff reconstructed the operating revenues and expenses for 1966 on an accrual basis.

Results of Operation Analysis

Table 1, Results of Operation, shows applicant's recorded revenues and expenses for 1966 after staff accounting adjustments and applicant's and staff's estimates for 1967 with and without improvements recommended by the staff.

TABLE 1
Slide Inn Water Company
RESULTS OF OPERATION

Item	Recorded #: 1966	Estimated Year 1967					
		Present Rates		Proposed Rates		Staff Recommended Rates	
		Applicant	Staff	Applicant	Staff	W/o Recon. Imp.	W/Recon. Imp.
Operating Revenues							
Unmetered Sales	\$3,610 ^a	\$ 3,540	\$ 3,630 ^h	\$ 6,612	\$ 6,860 ^h	\$ 4,990 ^h	\$ 5,780 ^h
Operating Revenue Deductions							
Operating Expenses							
Power	567 ^c	600	560	600	560	560	560
O&M - Employee Labor	521	780 ^g	780	780 ^g	780	780	780
O&M - Materials	125 ^d	120	120	120	120	120	120
O&M - Contract Work	309 ^d	240	240 ⁱ	240	240	240	240
Water Testing	15	30	20 ^j	30	20	20	20
Meter Repairs	-	30	0 ^k	30	0	0	0
Tank Roof Repairs (Prorate 3 yrs.)	-	150	0 ^k	150 ^g	0	0	0
Management Salaries	216 ^g	600 ^g	600 ^l	600 ^g	600	600	600
Telephone	-	30	20 ^l	30	20	20	20
Insurance	- ^{e, f}	100	100 ^m	100	100	100	100
Accounting	570 ^{e, f}	420 ^g	300 ⁿ	420 ^g	300	300	300
Bills and Postage	152	80	20 ^l	80	20	20	20
General Expense	8 ^b	60	15 ⁿ	60	15	15	15
Land Use Permit	175	180	175	180	175	175	175
Uncollectibles	-	40	40	40	40	40	40
Rate Case Prorate (5 Years)	-	240	240 ^p	240	240	240	240
Vehicle Expense	108 ^g	360	120 ^q	360	120	120	120
Total Operating Expenses	2,766	4,060	3,350	4,060	3,350	3,350	3,350
Depreciation	758	932	660 ^r	932	660	660	780
Ad Valorem Taxes	228	300	250	300	250	250	250
Payroll Taxes	41	60	60	60	60	60	60
Income Taxes	-	-	-	200	440	100	210
Total Operating Rev. Deductions	3,793	5,352	4,320	5,552	4,760	4,420	4,650
Net Operating Revenue	(183)	(1,812)	(690)	1,060	2,100	570	1,130
Rate Base	-	15,900	14,250	15,900	14,250	14,250	16,120
Rate of Return	-	-	-	6.7%	14.7%	4.0%	7.0%

(Red Figure)

(Footnotes on next page.)

FOOTNOTES to TABLE 1

- # After staff accounting adjustments.
- a. Staff deducted \$265 to convert from a cash basis to an accrual basis.
 - b. Staff eliminated \$175, which is the permit cost for 1967.
 - c. Staff added \$25 to adjust for 1966 expense recorded in 1965.
 - d. Staff deducted \$25 expenditure applicable to Snobowl Water Co.
 - e. Staff deducted \$15 which covered January 1967 accounting.
 - f. Accounting fees amounting to \$255 pertaining to this rate have been considered by applicant and staff as prorated rate case expense.
 - g. Reclassification of owner's compensation.
 - h. Staff's operating revenues were based on 81 single-family units and 13 additional residential units on a flat rate service basis.
 - i. Four water samples per year at \$5 each.
 - j. Cost of repairs and testing of four meters, being less than \$4 per year, was included in Miscellaneous General Expense.
 - k. Eliminated \$150 expense prorate of \$450 tank roof properly chargeable to plant account.
 - l. Reflects a normal annual amount.
 - m. Includes \$180 per year accounting fee, and \$120 for billing, collection, bookkeeping and preparing financial statements. Applicant's estimate of \$420 includes \$300 for his accountant to handle accounting, bookkeeping, billing and collecting, and \$120 as salary for billing.
 - n. Includes \$2 annual dues to Slide Inn Improvement Association.
 - p. Applicant's method of prorating rate case costs estimated at \$1,200 over 5 years considered to be reasonable.
 - q. Estimated 30 trips per year between Sonora and Long Barn. Forty miles per trip at 10¢ per mile.
 - r. Staff determined depreciation expense at a 3.2% composite rate applied to depreciable utility plant reduced by the amount chargeable to the contributions in aid of construction.

The principal differences between the staff's and applicant's estimates and recorded data, appearing in the items of operating revenues, operating expenses, depreciation expense and taxes, are explained in detail in Exhibit 1 and need not be repeated here.

Staff Recommended Rate of Return

A rate of return of 4 percent is recommended for this utility because of its present substandard water system and service. This rate of return applied to the staff's 1967 estimated rate base of \$14,250, not including recommended improvements, would produce net operating revenues in the amount of \$570 and require gross operating revenues of \$4,990; the required increase in gross operating revenues over revenues at present rates would amount to approximately \$1,360, an increase of 37.5 percent over present rates. The rates set forth in Appendix A have been designed to produce this increase in gross revenues. The 4 percent rate of return would require an increase in revenues of \$16 per year per service connection, or an increase in the flat rate from \$40 per year to \$56 per year for a single-family residential unit.

The staff recommends certain plant improvements which are deemed necessary. The estimated cost of these and applicant's planned improvements amounts to \$3,850. The staff is of the opinion that, if applicant promptly installs and places in operation these facilities, it should then be entitled to an additional increase in rates to produce a rate of return of 7.0 percent. This rate of return applied to the staff's 1967 estimated rate base of \$16,120 would require net operating revenue in the amount of \$1,130 and gross operating revenues of \$5,780, an increase of approximately 59 percent over present rates.

The above recommendations and other recommendations of the staff (Exhibit 1, paragraph 20) are reasonable and will be adopted.

The Commission finds that the estimates of operating revenues, expenses, including taxes and depreciation, the rate bases and rates of return submitted by the staff for the test year 1967, as modified by the staff recommendations concerning rates, gross revenues and rates of return, herein approved, are reasonable for the purpose of prescribing rates herein.

The application, accordingly, should and will be granted to the extent provided in the ensuing order.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant James R. Mills, doing business as Slide Inn 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. After compliance with ordering paragraph 8 of this decision, applicant James R. Mills will be authorized by supplemental order herein to file the revised rate schedules attached to this order as Appendix B.

3. Within sixty days after the effective date of this order, applicant shall file a revised tariff service area map to include all areas presently served, appropriate general rules and copies of printed forms that are normally used in connection with customers'

services. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

4. 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 this map.

5. Applicant shall establish for the year 1968, and thereafter maintain formal books of accounts on an accrual basis and to reflect accounts in conformity with the Commission's prescribed Uniform System of Accounts for Class D Water Utilities.

6. Applicant shall adjust the recorded balances of utility plant, reserve for depreciation and contributions in aid of construction accounts as of December 31, 1966, to conform with the adjusted balances therefor set forth in the tabulation titled: "Utility Plant and Depreciation Reserve", shown in paragraph 12 of Exhibit 1 in this proceeding.

7. For the year 1968, applicant shall apply an annual depreciation rate of 3.2 percent to the original cost of depreciable plant. Until review indicates otherwise, applicant shall continue to use this rate. Applicant shall review his depreciation rate at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rates 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.

8. On or before August 31, 1968 applicant shall have installed and placed in operation the following system improvements:

- a. Appropriate repairs to the existing 10,000-gallon storage tank.
- b. An additional storage tank of not less than 15,000-gallon capacity.
- c. Approximately 800 feet of pipe not less than 2-1/2 inches in diameter to interconnect the 3-inch steel transmission main with the Creek Well 2-inch supply main.
- d. Automatic control equipment on the three pumps now manually controlled.
- e. Not less than five flushout valves on water main dead ends and establish a program for flushing sufficient to maintain good quality water.
- f. Planned fire hydrant installations.

Within thirty days after completion thereof, applicant shall file with the Commission a written report indicating the completion date of each such improvement.

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

Dated at San Francisco, California, this 2nd day of APRIL, 1968.

Robert E. Mitchell
President

Shelburne B. Burrell

W. J. Adams

William J. Sproule, Jr.

Fred P. Monsey
Commissioners

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Slide Inn Subdivision No. 1 and vicinity, near Long Barn, (T)
approximately 20 miles easterly of Sonora, Tuolumne County. (T)

RATES

	<u>Per Meter Per Month</u>	
Monthly Quantity Rates:		
First 800 cu. ft. or less	\$4.00	(I)
Next 2,200 cu. ft., per 100 cu. ft.40	
Next 7,000 cu. ft., per 100 cu. ft.30	
Over 10,000 cu. ft., per 100 cu. ft.25	(I)

	<u>Per Meter Per Year</u>	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 48.00	(I)
For 3/4-inch meter	66.00	
For 1-inch meter	110.00	
For 1 1/2-inch meter	200.00	
For 2-inch meter	290.00	(I)

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

Schedule No. 1A

ANNUAL METERED SERVICE

(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis except that meters may be read and quantity charges billed during the winter season at intervals greater than three months. (T)

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer. (T)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Slide Inn Subdivision No. 1 and vicinity, near Long Barn, approximately 20 miles easterly of Sonora, Tuolumne County.

(T)
(T)

RATES

Per Service Connection
Per Year

For a single-family residential unit or business establishment including premises

\$56.00

(I)

For each additional single-family residential unit or business establishment on the same premises and served from the same service connection

35.00

(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 3/4-inch in diameter.

2. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

(T)

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year,

(T)

(Continued)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS--Contd.

to pay prorated flat rate charges in advance at intervals of less than (T)
one year (monthly, bimonthly or quarterly) in accordance with the (T)
utility's established billing periods.

4. The opening bill for flat rate service shall be the established (N)
annual flat rate charge for the service. Where initial service is estab-
lished after the first day of any year, the portion of such annual charge
applicable to the current year shall be determined by multiplying the
annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of
days remaining in the calendar year. The balance of the payment of the
initial annual charge shall be credited against the charges for the
succeeding annual period. If service is not continued for at least one
year after the date of initial service, no refund of the initial annual
charges shall be due the customer. (N)

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Slide Inn Subdivision No. 1 and vicinity, near Long Barn approximately 20 miles easterly of Sonora, Tuolumne County.

RATES

	<u>Per Meter Per Month</u>	
Monthly Quantity Rates:		
First 800 cu. ft. or less	\$4.75	(I)
Next 2,200 cu. ft., per 100 cu. ft.40	
Next 7,000 cu. ft., per 100 cu. ft.30	
Over 10,000 cu. ft., per 100 cu. ft.25	
	<u>Per Meter Per Year</u>	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 57.00	(I)
For 3/4-inch meter	75.00	
For 1-inch meter	120.00	
For 1 1/2-inch meter	210.00	
For 2-inch meter	300.00	(I)

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

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Schedule No. 1A

ANNUAL METERED SERVICE

(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Slide Inn Subdivision No. 1 and vicinity, near Long Barn, approximately 20 miles easterly of Sonora, Tuolumne County.

RATES

Per Service Connection
Per Year

For a single-family residential unit or business establishment, including premises	\$65.00	(I)
For each additional single-family residential unit or business establishment on the same premises and served from the same service connection	40.00	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than 3/4-inch in diameter.

2. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay

(Continued)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

4. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.