

74089

ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WARRING WATER SERVICE, INC. for authority to increase rates for water service.

Application No. 49684
(Filed September 25, 1967)
(Amended October 16, 1967)

- William T. Selby and Gerald F. Bliss,
for applicant.
- Harry D. Felsenthal, for Piru Citrus
Association; protestant.
- Clyde E. Spencer, interested party.
- Jerry J. Levander, for the
Commission staff.

O P I N I O N

Applicant seeks authority to increase its rates for water service.

A public hearing was held before Examiner Rogers in Piru on February 13, 1968. Copies of the application and the notice of hearing were served in accordance with this Commission's procedural rules. The matter was submitted on the date of the hearing.

Evidence on behalf of the applicant was presented by its manager and consultant. The Commission staff presentation was made by an accountant and an engineer. No evidence was presented by the protestant. A petition protesting the proposed increases, signed by approximately 44 of applicant's water users, was received in evidence.

General Information

Applicant presently provides general metered service to 288 commercial and industrial consumers, and irrigation service to 9 customers.

Applicant is a California corporation whose stock is owned by the Floyd Warring Estate (Estate), by Alice Warring Giddings, executrix of Estate and applicant's president, and by her sister, Frances Warring Talbot, applicant's secretary. Transfer of the water company properties to applicant was authorized by Decision No. 72269 dated April 11, 1967, in Application No. 49013. Prior to the transfer, the properties of the water company had been held by two separate partnerships, Warring Brothers Domestic Service (Domestic) and Warring Brothers Irrigation Service (Warring Irrigation). Warring Irrigation provided gravity river water to nine orange-grower customers. Domestic provided service to residence and business customers. In addition, Domestic furnished well irrigation water to higher portions of the Warring Ranch. Until construction of a dam in Piru Canyon in 1955, Domestic also provided an alternative source from its wells for Warring Irrigation. After construction of the dam no alternative source has been required and the two partnerships became completely separate operations insofar as services were concerned.

After these partnerships were dissolved, the Warring Ranch was divided between Lester Warring and Associates and the Floyd S. Warring Estate. The two water companies were retained by the Floyd S. Warring Estate. Lester Warring drilled a well on his portion of the ranch and has no further need for irrigation water from applicant.

Service

The staff made field investigations of applicant's operations in November and December, 1967. Plant and facilities were inspected, pressures checked, customers interviewed, and applicant's records were examined. Most of the customers interviewed expressed satisfaction with the service and objected to the proposed rates. Domestic pressures checked were found to be within the limits of General Order No. 103, ranging from 31 to 75 pounds per square inch. Substantial improvements to the domestic system were made in 1966 and 1967 in connection with the installation of a new well, Well No. 3.

Water Supply

Until November of 1966, Domestic had two wells, which supplied water for domestic and well irrigation service. Water from these wells was chlorinated when used as a domestic supply. Due to increase in total dissolved solids of water from these wells, it became necessary to drill a new well for domestic supply. Well No. 3, equipped with a deep well pump and direct drive 75-horsepower electric motor producing 648 gallons per minute, was placed in service for domestic supply in November, 1966. Well No. 3 provides an ample supply of water of acceptable quality to the system and to a million-gallon, wood-roofed, concrete reservoir riding on the system. The domestic operation has no need of the older wells except as an emergency alternative supply. The river irrigation system is supplied from a stream diversion.

Present and Proposed Rates

Applicant's present and proposed rates are tabulated below:

GENERAL METERED SERVICE

	<u>Per Meter</u>	<u>Per Month</u>
	<u>Present</u>	<u>Proposed</u>
Quantity Charges:		
First 600 cu. ft. or less	\$ 1.50*	
Next 400 cu. ft., per 100 cu. ft.	.20	
Over 1,000 cu. ft., per 100 cu. ft.	.15	
First 600 cu. ft. or less		\$ 4.00
Next 1,400 cu. ft., per 100 cu. ft.		.45
Next 8,000 cu. ft., per 100 cu. ft.		.35
Over 10,000 cu. ft., per 100 cu. ft.		.25

*Tariff shows 0 to 600 cu. ft. per 100 cu. ft. \$.25
 .and Minimum Charge for 5/8-inch meter at \$1.50.

Minimum Charge:

For 5/8 x 3/4* -inch meter	\$ 1.50	\$ 4.00
For 3/4 -inch meter	2.00	5.00
For 1 -inch meter	2.50	7.00
For 1 1/2 -inch meter	3.00	15.00
For 2 -inch meter	4.00	20.00
For 3 -inch meter	12.00**	30.00
For 4 -inch meter	20.00**	50.00

*Incorrectly shown as 5/8-inch meter.
 **Not authorized.

1 Applicant has two flat-rate domestic consumers. There is no good reason why these should not be metered and applicant will be ordered to meter them.

PUBLIC FIRE HYDRANT SERVICE

	<u>Per Service Present</u>	<u>Per Month Proposed</u>
For each 4-inch fire hydrant	\$ 3.00*	\$ 3.00
For each 6-inch fire hydrant	4.00*	4.00
For each 8-inch fire hydrant	5.00*	5.00

*Not authorized

PRIVATE FIRE PROTECTION SERVICE

	<u>Per Service Present</u>	<u>Per Month Proposed</u>
For each inch in diameter of service connection	\$ 3.00	\$ 3.00

RIVER IRRIGATION SERVICE

	<u>Per Service Present</u>	<u>Per Month Proposed</u>
Per miner's inch, per hour	\$ 0.006	\$ 0.008

WELL IRRIGATION SERVICE

The applicant presented its case with revenues, expenses and rate base for well irrigation services included. This service was provided to a member of the Warring family only and by agreement will no longer be furnished by the applicant (Exhibit 4). On February 29, 1968, the applicant furnished the Commission with a revised statement of its estimated results of operation for 1967 at present and proposed rates for both domestic and river irrigation service. The applicant's figures hereinafter referred to for the service will be those contained in its revised statement.

Fire Hydrant Rental and
Private Fire Protection Service

Applicant has been charging rates for fire hydrant service although such rates were not included in filed tariffs. It proposes to file tariffs continuing the existing rates in effect.

Applicant also provides private fire protection service at \$3.00 per month per inch of diameter and proposes to continue such service at no increase in rates.

Applicant has included revenues from one fire hydrant in an extension outside its service area and has charged as expense the ad valorem taxes on the extension, which cost \$30,000. This extension is in an area served by a mutual water company and these items will be disregarded.

River Irrigation Service

Applicant's existing rate for river irrigation service is \$.006 per miner's inch per hour, and it proposes to increase such rate to \$.008. This service is a minor portion of applicant's overall operations and the staff recommends that the proposed rate be authorized for this service.

The staff's estimated results of operations for 1968 for the river irrigation service, at present and proposed rates, are as follows:

	1968	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$ 4,290	\$ 5,720
Operating Expenses	<u>3,270</u>	<u>3,270</u>
Depreciation	850	850
Non-income Taxes	440	440
Income Taxes	-	310
Total Deductions	<u>4,560</u>	<u>4,870</u>
Net Revenue	(270)	850
Average Rate Base	\$ 7,900	\$ 7,900
Rate of Return	-	10.8%

We find the proposed rate is reasonable.

Earnings for Domestic Service

The applicant's and the staff's present and proposed 1967 results of operation for the domestic service and the staff's estimates of 1968 operations at the present and proposed rates are as follows:

Item	1967 Estimated				1968 Estimated	
	Applicant		Staff		Staff	
	Present	Proposed	Present	Proposed	Present	Proposed
	Rates	Rates	Rates	Rates	Rates	Rates
<u>Revenues</u>						
Operating Rev.	\$16,033	\$36,727	\$15,910	\$37,260	\$15,990	\$37,450
Interest Income	25	25	-	-	-	-
	16,058	36,752	15,910	37,260	15,990	37,450
<u>Expenses</u>						
Power	2,300	2,300	2,100	2,100	2,110	2,110
Labor	4,200	4,200	2,750	2,750	2,750	2,750
Materials	1,000	1,000	1,000	1,000	1,000	1,000
Contract Work	850	850	850	850	850	850
Office Salary	2,400	2,400	2,820	2,820	2,820	2,820
Management "	5,400	5,400	2,030	2,030	2,030	2,030
Office Supplies	600	600	650	650	650	650
Insurance	200	200	220	220	220	220
Acct., Legal & Eng.	1,500	1,500	500	500	500	500
General Exp.	100	100	100	100	100	100
Vehicle Exp.	350	350	350	350	350	350
Subtotal	18,900	18,900	13,370	13,370	13,380	13,380
Depreciation	3,552	3,552	3,520	3,520	3,530	3,530
Ppty. Taxes	3,023	3,023	2,430	2,430	2,370	2,370
Payroll Taxes	400	400	420	420	420	420
Other Taxes	250	250	120	280	120	280
Taxes on Income	-	1,975	60	4,180	60	4,240
Subtotal	3,672	5,648	3,030	7,310	2,970	7,310
Total	26,125	28,100	19,920	24,200	19,880	24,220
Deductions						
Net Revenue	(10,067)	8,652	(4,010)	13,060	(3,890)	13,230
Avg. Rate Base	152,338	152,338	140,900	140,900	137,500	137,500
Rate of Return	-	5.68%	-	9.3%	-	9.6%

(Red Figure)

Revenues

The applicant based its 1967 estimated revenues on average usage. It conceded that it had many non-functioning or malfunctioning meters and proposes to replace approximately 156 meters to recover lost revenues. The staff based its estimates on a water use tabulation for the year ending October 31, 1967, modified to reflect a nine-year average consumption per customer and increased sales due to the replacement of the defective meters.

We find the staff's estimates of general metered revenues for the years 1967 and 1968, at present and proposed rates, reasonable and they will be adopted for the purposes of this decision.

Operating Expenses

The major differences between the applicant's and the staff's estimates of operating expenses in 1967 were in purchased power (\$200), labor (\$1,450), salaries (\$2,950) and accounting, legal and engineering expenses (\$1,000). The staff was lower by the stated amounts.

The staff's domestic system power costs were adjusted to allow 15 percent for unaccounted-for water. Unaccounted-for water has increased from 20 percent to 28 percent of production over the last nine years. A significant portion of this is due to slow meters, in particular, 116 of the meters referred to above which are 38 to 52 years' old. Applicant has replaced a sampling of the old meters, which were removed and tested. The test averages showed under-recording of 21.2 percent, which exceeds the 2 percent deviation permitted by General Order No. 103.

Payroll

Both applicant and the staff reflect wage increases for the operating personnel employed by applicant. The staff estimate reflects certain improvements in operating procedures and an allocation of a higher proportion of labor to river irrigation than applicant.

The staff estimate for applicant's manager-consultant, which is \$1,300 per year lower than applicant's estimate, reflects the present requirements for his service rather than that experienced during the major construction and reorganization period in 1966-1967.

The staff's estimate of reasonable allocations of salary for applicant's total operations is lower for its secretary (office manager) and higher for its office employee, as compared to applicant.

Other Expenses

Applicant included nonrecurring charges for accounting and legal charges in its estimate.

We find the staff's estimates of operating expenses for 1967 and 1968 at present and proposed rates are reasonable and they will be adopted for the purposes of this decision.

Ad Valorem Taxes

The differences between applicant and staff reflect the staff's exclusion of the extension outside the service area referred to above, and differences in tax rates. The staff utilized the latest available rates.

We find the staff's estimates are reasonable and they will be adopted.

Rate Base

A comparison of the applicant's and the staff's estimated average domestic rate bases for the year 1967 is as follows:

	<u>Applicant</u>	<u>Staff</u>
Average Deprec. Plant	\$ 145,535	\$ 153,228
Land and Office Additions	18,385	-
Material and Supplies	-	300
Working Cash	2,056	1,000
Totals	<u>165,976</u>	<u>154,528</u>
Less:		
Contributions	(13,639)	(13,606)
Rate Base	\$ 152,338	\$ 140,922

(Red Figure)

The big difference in plant is the fact that applicant included \$18,385 for land for a reservoir site, a maintenance shop, an office and an office site. Applicant has not acquired the land yet. The amount which may be included in the rate base will be the original cost when the land is dedicated to public utility service. The applicant has not determined this amount.

The staff has allowed \$9,109 for plant additions, including \$5,138 for replacing 116 meters. This latter improvement will reduce the applicant's unaccounted for water cost.

The staff's estimate of working cash is a judgment amount giving effect to a certain number of months' operating expenses, based on the manner in which the utility's expenses and revenues are billed. The applicant used cash on hand for its estimate.

We find that the staff's estimated rate bases for the years 1967 and 1968 are reasonable and they will be used herein.

The depreciation expense for 1967 was estimated by the applicant to be \$3,552 and by the staff to be \$3,520. The staff's figure is based on the rate base heretofore adopted and will be used herein. We find the depreciation expense will be \$3,520 in 1967 and \$3,530 in 1968.

Findings

The Commission finds that:

1. Results of operation in 1968 at present and proposed rates will be as follows:

Item	Domestic Service		River Irrigation Service		Total	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenue	\$ 15,990	\$37,450	\$4,290	\$5,720	\$20,280	\$43,170
Operating Expenses	13,380	13,380	3,270	3,270	16,650	16,650
Depreciation	3,530	3,530	850	850	4,380	4,380
Taxes Excl. Inc. Taxes	2,910	3,070	440	440	3,350	3,510
Taxes on Income	60	4,240	40	310	100	4,550
Total Deductions	19,880	24,220	4,600	4,870	24,480	29,090
Net Revenue	(3,890)	13,230	(310)	850	(4,200)	14,080
Average Rate Base	137,500	137,500	7,900	7,900	145,400	145,400
Rate of Return	-	9.6%	-	10.8%	-	9.7%

(Red Figure)

2. Applicant's proposed rates for fire hydrant rental are reasonable.

3. The rate of return for 1968 estimated for domestic service at existing rates is deficient and applicant is in need of financial relief. However, the estimated rate of return for domestic service of 9.6 percent is excessive. The application for increased domestic rates should be granted in part and denied in part. Applicant has continued, through all the recent years of inflationary price increases, to service the area at rates found justified in 1922. The

economy has adjusted itself to those rates, and cannot escape a serious shock from their sudden doubling. While this Commission cannot, on the record in these proceedings, deny the applicant the revenue which will produce a reasonable return on the rate base herein found to be reasonable, we shall, in the order that follows, require it to provide some cushion to assist its customers to adjust themselves to the increased rates which we must authorize. We shall do this by specifying that the final rates we shall approve shall go into effect in two steps, one year apart. The application for authority to increase the river irrigation rates should be granted as requested.

4. Filings of new schedules of rates for domestic service and irrigation service should be authorized. The order which follows will authorize:

(a) The filing of two schedules of meter rates for domestic service to give applicant an increase for this service in two steps. The first step rates will produce \$24,700 in gross annual revenues, an increase of \$8,710 over the gross annual revenues for domestic service which would be produced at the existing rates, utilizing the estimates of the staff set forth in Exhibit 5 for the test year 1968 as a basis. When these first step revenues (after deducting operating expenses, depreciation and taxes) are related to the rate base of \$137,500, which is reasonable, a rate of return on domestic revenues of 2.8 percent will result. The final rates will produce \$33,400 in gross annual revenues for domestic services, an increase of \$17,410 over the gross annual revenues for domestic service which would be produced at the existing rates, utilizing the estimates of the staff set forth in Exhibit 5 for the test year 1968 as a basis. This increase in revenues is approximately \$3,300 less than the increase

sought by applicant. When the authorized revenues are related to the rate base of \$137,500, a rate of return on domestic revenues of 7.50 percent will result. We find such rates of return to be reasonable.

(b) The filing of a schedule of rates which will produce \$5,720 in gross annual revenues for river irrigation services, an increase of \$1,430 over the gross annual revenues for river irrigation services which would be produced at the existing rates, utilizing the estimates of the staff set forth in Exhibit 5 for the test year 1968 as a basis. The increase in revenues is approximately the amount requested by the applicant. When the authorized revenues (after deducting operating expenses, depreciation and taxes) are related to the rate base of \$7,900, which is reasonable, a rate of return of approximately 10.8 percent on irrigation services will result. We find such rate of return to be reasonable for the river irrigation services herein considered.

5. The applicant should replace its over-age meters within one year from the effective date hereof.

6. The applicant should be required, within one year from the effective date hereof, to acquire title to or firm easements in the land on which its wells, pump houses, reservoir and maintenance shop are located.

7. The applicant should discontinue service under its flat rate schedule.

Conclusions

We conclude that:

1. The application should be granted to the extent set forth in the order herein.
2. The applicant should cancel its flat rate schedule.

O R D E R

IT IS ORDERED that:

1. Warring Water Service, 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 hereto as Appendix A. The effective date of the revised schedules shall be four days after the date of filing. Applicant is further authorized to file the General Meter Rate Schedule shown in Appendix B attached hereto to place the second step rates in effect on or after the Appendix A rates have been in effect for twelve (12) months. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Within one year after the effective date hereof, applicant shall replace all over-age or defective meters and file a statement with this Commission affirming that such replacement has been made.

3. 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 such maps.

4. Applicant shall adopt the use of the straight-line remaining-life method to determine its depreciation accruals, and shall submit to the Commission depreciation reviews at five-year intervals or whenever major changes of plant occur. For the year 1968, applicant shall apply the depreciation rates set forth in Tables D and E of Exhibit 5 and shall continue to use these rates until further results of such review indicate the rates should be changed. The results of such review shall be submitted promptly to the Commission, and upon recognition by the Commission that the new rates are acceptable, applicant shall use such revised rates in recording future depreciation.

5. Within one year from the effective date hereof, applicant shall acquire the sites for its wells, pump houses, reservoir and maintenance shop and present written proof thereof to this Commission.

6. Within thirty days after the effective date hereof, applicant shall file with this Commission a notice cancelling its General Flat Rate Schedule.

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

Dated at San Francisco, California, this 14th day of MAY, 1968.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
Page 1 of 3

Schedule No. 1

(C)

GENERAL METERED SERVICE

(C)

APPLICABILITY

Applicable to all domestic metered water service.

(T)

TERRITORY

Piru and vicinity, Ventura County.

(T)

RATES

Per Meter
Per Month

Quantity Charge:

First 600 cu.ft. or less	\$ 2.45	(I)
Next 1,400 cu.ft., per 100 cu.ft.35	
Next 8,000 cu.ft., per 100 cu.ft.24	
Over 10,000 cu.ft., per 100 cu.ft.20	(I)

Minimum Charge:

Per Meter
Per Month

For 5/8 x 3/4 inch meter	\$ 2.45	(I)
For 3/4 inch meter	3.50	
For 1 inch meter	5.00	
For 1 1/2 inch meter	10.00	
For 2 inch meter	15.00	
For 3 inch meter	21.00	
For 4 inch meter	40.00	(I)

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

Schedule No. 3

(C)

IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured river irrigation service.

(C)

TERRITORY

Piru and vicinity, Ventura County.

(C)

RATE

Per miner's inch, per hour \$ 0.008

(I)

The miner's inch will be a flow of water equivalent
to 1/50 of a cubic foot per second.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to duly organized or incorporated fire districts or other public agencies.

TERRITORY

Piru and vicinity, Ventura County.

RATES

	<u>Per Month</u>
For each 1/2 inch fire hydrant	\$ 3.00
For each 6 inch fire hydrant	4.00
For each 8 inch fire hydrant	5.00

SPECIAL CONDITIONS

1. The Utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
2. The district or agency shall indemnify the Utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the Utility for any loss or damage resulting from service hereunder.
3. Fire hydrants will be attached to the Utility's distribution mains for public fire protection only upon receipt of proper order of the district or agency. Said order must designate the specific location at which each is to be installed.
4. The foregoing charges for water service to fire hydrants are based upon the understanding that such hydrants are to be owned, installed, maintained and painted by the Utility; and are to be inspected and relocated at the expense of such district or agency.

Schedule No. 1

(C)

GENERAL METERED SERVICE

(C)

APPLICABILITY

Applicable to all domestic metered water service.

(T)

TERRITORY

Piru and vicinity, Ventura County.

(T)

RATES

Quantity Charge:

	<u>Per Meter</u> <u>Per Month</u>	
First 600 cu.ft. or less	\$ 3.40	(I)
Next 1,400 cu.ft., per 100 cu.ft.44	
Next 8,000 cu.ft., per 100 cu.ft.34	
Over 10,000 cu.ft., per 100 cu.ft.24	(I)

Minimum Charge:

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4 inch meter	\$ 3.40	(I)
For 3/4 inch meter	4.50	
For 1 inch meter	6.00	
For 1 1/2 inch meter	12.00	
For 2 inch meter	18.00	
For 3 inch meter	25.00	
For 4 inch meter	45.00	(I)

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