

ORIGINALDecision No. 74628

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Raymond D. and Pearl B. McCart)
 doing business as the)
 LUCCHESI WATER CO.)
 under Section 454 of the Public)
 Utilities Code for Authority to)
 increase rates for water service.)

Application No. 50136
 (Filed April 3, 1968)

Raymond D. McCart, for applicant.
Angelo Musante, in propria persona and Louis
Draghi, for Anna Abate, interested parties.
John D. Reader, for the Commission staff.

O P I N I O N

This application, submitted at the conclusion of a public hearing held, after due notice, at Napa on July 18, 1968 before Examiner Gregory, requests authority to increase metered water service rates and to establish a schedule of flat rates, so as to reflect, in applicants' tariffs, the metered and flat rates currently being charged for service to some 53 metered and 6 flat rate customers on applicants' system within and adjacent to the City of Napa. Applicants also seek authority to record utility plant accounts as stated in Exhibit C of the application, together with the related depreciation reserve.

A staff report on the application, dated June 19, 1968 (Exhibit 1), supplemented by testimony of one of its co-authors (a staff engineer) and of R. D. McCart, co-owner, describes the system and its operations since its acquisition by the McCarts in 1964 (Decision No. 67083, dated April 14, 1964, Application No. 46052).

The evidence discloses that after applicants acquired the system and refiled their predecessor's metered service schedule (first established in 1924), they twice raised metered rates and also applied flat rates, on a varying scale, to some half-dozen customers, apparently in ignorance of the statutory requirement for Commission authorization for such rate changes (Public Utilities Code, Section 454). The present rates, applied during and since 1967, provide a minimum monthly charge for metered (5/8 x 3/4-inch) service of \$3.00 for the first 3,000 gallons and \$0.45 per 1,000 gallons for excess usage and, for flat rate service, a monthly charge of \$3.50 per customer. The metered rates are generally comparable with rates for like service supplied by the City of Napa system, within city limits, and by two neighboring public utility systems.

The system, according to applicants' testimony and exhibits (Application, Exhibits A, B and C), is a part-time operation which has been conducted at a loss since its acquisition. The staff's report, in which some adjustments were made to applicants' figures, notes that the utility's prospects for expansion are minimal and that, even at present rates and with adjusted operating result computations, an estimated net operating revenue of only \$28.00 would be realized in 1968.

Lack of adequate records, by both applicants and their predecessors, dictated a new look by the staff not only at applicants' plant and related depreciation reserve balances but also at the entire operation. The results are stated in detail in the staff's report. Applicants cooperated fully with the staff during its investigation and, as stated above, have requested authorization to record utility plant accounts as set forth in Exhibit C of the application and also to record a related depreciation reserve.

We hereby adopt the staff's adjusted estimates of plant costs, as of December 31, 1967 and of operating revenues, operating expenses, depreciation expense and ad valorem taxes for the test year 1968, as shown in its report. We also adopt the staff's recommendation, based on its estimate of the slight profit to be produced at the proposed rates, that a rate of return computation is not necessary in the circumstances. Finally, we adopt other recommendations by the staff concerning the utility's accounting records and a depreciation rate to be applied to the original cost of depreciable plant (Exhibit 1, par. 19).

We see no reason to impose sanctions for applicants' past deficient practices, particularly in view of their expressed desire to place their operations on a normal basis. We caution applicants, however, to observe, henceforth, the statutory and other rules pertaining to their public utility service and in case of doubt as to the application of a particular regulatory requirement, to consult beforehand with the Commission's staff.

The only issue before us concerns the justification for and reasonableness of applicants' rate and accounting requests. The evidence on that issue is uncontradicted and satisfies us that applicants' requested rates should be authorized and that their accounting entries and practices should be adjusted as provided, among other related matters, by the order which follows.

The Commission, on this record, finds that:

1. Applicants are in need of the revenues which will be produced by the proposed rates set forth in the application.
2. The staff's estimates of plant costs, operating revenues, operating expenses, depreciation and ad valorem taxes, previously referred to, for the estimated year 1968 reasonably indicate the results of operation for the near future.

3. A rate of return computation is not necessary in this proceeding.

4. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the presently authorized rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

The Commission, therefore, concludes that the application should be granted.

O R D E R

IT IS HEREBY ORDERED that:

1. After the effective date of this order Raymond D. and Pearl B. McCart are authorized to file the rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the schedules shall be four days after the date of filing.

2. Applicants shall, by December 31, 1968, record in their books of accounts the balances for utility plant accounts at December 31, 1967, as set forth in Exhibit C attached to the application and restate depreciation reserve at \$6,128 as of the same date. Applicants shall submit to the Commission the journal entry or entries effecting such adjustments.

3. Applicants shall establish for the year 1968 and thereafter maintain formal books of account in conformity with the Commission's prescribed Uniform System of Accounts for Class D Water Utilities.

4. For the year 1968, applicants shall apply an annual depreciation rate of 3.5% to the original cost of depreciable plant. Until review indicates otherwise, applicants shall continue

to use this rate. Applicants shall review their 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.

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

Dated at San Francisco, California, this 4th day of SEPTEMBER, 1968.

William Lyman Jr.
President

William La Bernard

Augustin

Red P. Morrissey
Commissioners

APPENDIX A
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Schedule No. 1

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Baur Tract, and vicinity Napa County.

(T)

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 3,000 gallons or less	\$3.00	(I)
Over 3,000 gallons per 1,000 gallons45	
Minimum Charge:		
For 5/8 x 3/4-inch meter.	3.00	(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.

TERRITORY

Baur Tract and vicinity, Napa County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For a single-family residential unit, including premises not exceeding 7,500 sq.ft. in area	\$3.50
a. For each 100 sq.ft. of premises in excess of 7,500 sq. ft.04
b. For each additional single-family residential unit on the same premises and served from the same service connection	2.50

SPECIAL CONDITIONS

1. The above flat rates apply to a 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.