

Decision No. 74633**ORIGINAL**

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 Utilities )  
 Code for authority to increase rates )  
 for water service. )

Application No. 49711  
 (Filed October 5, 1967)

Verner R. Muth, for applicant.

Lucien Berthier and Walter N. Zipser, for  
 Slide Inn Improvement Association, Inc.,  
 protestant.

John D. Reader, for the Commission staff.

O P I N I O N

Applicant James R. Mills, doing business as Slide Inn Water Company, seeks authority to increase rates for water service.

Decision No. 73921 was issued by the Commission on April 2, 1968. A petition for rehearing of Decision No. 73921 was filed April 12, 1968 by Slide Inn Improvement Association, Inc. and by Decision No. 74075, issued May 7, 1968, the effective date of Decision No. 73921 was stayed pending further Commission order and rehearing was ordered.

Public hearing was held before Examiner Gillanders in Sonora on June 20, 1968. Copies of the application had been served and notice of hearing had been published and posted, in accordance with this Commission's rules of procedure. The matter was submitted on July 8, 1968, upon receipt of applicant's late-filed Exhibit No. 3.

Testimony on behalf of applicant was presented by Mr. Mills, a representative of the accounting service which keeps his books, and his consulting engineer. The Commission staff presentation was made by an engineer. Sixteen customers were present during the hearing. Five customers testified in behalf of protestant.

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.

Service Area and Water System

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.

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.

Rates

The present rates were authorized by Decision No. 55597, dated September 24, 1957, in Case No. 5801, and became effective in October 1957. In his application 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 x 3/4-inch meter. All 81 customers are furnished service on a flat rate basis. All service connections are 3/4-inch in diameter. Table 1 shows the present and proposed meter rates and flat rates.

TABLE 1  
COMPARISON OF RATES

SCHEDULE NO. 1 - ANNUAL GENERAL METERED SERVICE

<u>MONTHLY QUANTITY RATES:</u>		<u>Per Meter - Per Month</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
First	800 cu.ft. or less .....	\$3.25	\$5.60
Next	2,200 cu.ft., per 100 cu.ft.	.35	.45
Next	7,000 cu.ft., per 100 cu.ft.	.25	.35
Over	10,000 cu.ft., per 100 cu.ft.	.20	.25

<u>ANNUAL MINIMUM CHARGE:</u>		<u>Per Meter</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
For 5/8 x	3/4-inch meter .....	\$ 39.00	\$ 67.20
For	3/4-inch meter .....	57.00	90.00
For	1-inch meter .....	90.00	132.00
For	1-1/2-inch meter .....	162.00	240.00
For	2-inch meter .....	204.00	348.00

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.

SCHEDULE NO. 2 - ANNUAL GENERAL FLAT RATE SERVICE

	<u>Per Serv. Connection</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
For a single-family residential unit, including premises .....	\$40.00	\$78.00
For each additional residential unit or business establishment on the same premises and served from the same service connection ....	30.00	42.00

GENERAL CONDITION

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

Position of Protestant

In spite of previous Commission orders to correct unsatisfactory conditions, customers still find themselves with inadequate water storage, a lack of consistent flow of water, together with inconsistent distribution. When an emergency arises because of lack of water, a customer must make a long distance call to Sonora, and at times is unable to contact anyone at the Sonora phone number.

Protestant maintains that management of the system is inefficient. Protestant believes that management should have requested increased charges for commercial users and to cabins used for rental purposes. Protestant is particularly disturbed by management's failure to repair a storage tank which has been out of service for a year. Protestant suggests that there be no increase in rates to the single dwelling, but that rates for any additional dwelling on the same premise be the same flat rate charged for the first dwelling. Protestant requests increased flat rate charges to commercial users and is opposed to metering of such users.

Testimony adduced from protestant's witnesses shows that in essence the Association believes it is entitled, for the rates now being paid, to service equivalent to that which they receive at their permanent residences.

Results of Operation

Table 2, Results of Operation, taken from staff's Exhibit No. 1 shows applicant's recorded revenues and expenses for 1966 after staff accounting adjustments and applicant's and staff's estimates for 1967 together with Results of Operation of rates authorized herein.

TABLE 2  
Slide Inn Water Company  
RESULTS OF OPERATION

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Item	Estimated Year 1967					
	Recorded#: 1966	Present Rates		Proposed Rates		At Rates Authorized:
		Applicant	Staff	Applicant	Staff	Herein
<u>Operating Revenues</u>						
Unmetered Sales	\$3,610	\$ 3,540	\$ 3,630	\$ 6,612	\$ 6,860	\$ 6,030
<u>Operating Revenue Deductions</u>						
<u>Operating Expenses</u>						
Power	567	600	560	600	560	560
O&M - Employee Labor	521	780	780	780	780	795
O&M - Materials	125	120	120	120	120	120
O&M - Contract Work	309	240	240	240	240	240
Water Testing	15	30	20	30	20	20
Meter Repairs	-	30	-	30	-	30
Tank Roof Repairs (Prorate 3 yrs.)	-	150	-	150	-	-
Management Salaries	216	600	600	600	600	600
Telephone	-	30	20	30	20	20
Insurance	-	100	100	100	100	100
Accounting	570	420	300	420	300	300
Bills and Postage	152	80	20	80	20	20
General Expense	8	60	15	60	15	15
Land Use Permit	175	180	175	180	175	175
Uncollectibles	-	40	40	40	40	40
Rate Case Prorate (5 years)	-	240	240	240	240	215
Vehicle Expense	108	360	120	360	120	120
Total Operating Expenses	2,766	4,060	3,350	4,060	3,350	3,370
Depreciation	758	932	660	932	660	730
Ad Valorem Taxes	228	300	250	300	250	350
Payroll Taxes	41	60	60	60	60	60
Income Taxes	-	-	-	200	440	240
Total Operating Rev. Deductions	3,793	5,352	4,320	5,552	4,760	4,750
Net Operating Revenue	(183)	(1,812)	(690)	1,060	2,100	1,280
Rate Base	-	15,900	14,250	15,900	14,250	18,250
Rate of Return	-	-	-	6.7%	14.7%	7.0%

(Red Figure)

# After staff accounting adjustments

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.

Testimony on behalf of applicant shows that in 1967 he spent \$1,240 for deepening well No. 4, \$545 to equip the well with a pump, approximately \$600 on repairs to wells No. 1 and No. 3 and \$438 to replace a tank top. Applicant testified that he has deferred the installation of a 38,000-gallon wooden tank awaiting

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the outcome of this application. The tank, if installed, would cost \$1,500 plus \$2.50 per foot installed for necessary connecting pipes. If the wooden tank is installed he would take out the existing 12,000-gallon steel tank and the 10,000-gallon wooden tank not now in service. He maintains that due to heavy snows it would not be practicable to install overhead lines for automatic controls on the pumps. An electrical contractor quoted a price of about \$2,000 to \$3,000 for the electrical controls for the pumps. Applicant now pays \$50 per month to have the pumps and the water level in the big tank checked every morning.

The five public witnesses testified regarding certain outages and poor water quality. It is apparent from the record most of the recent outages occurred on or about July 29, 1967 and occurred due to deepening of well No. 4. Protestant's witnesses described a condition wherein water was wasted due to overfilling of the storage tank, and two witnesses complained of a "film" on water left standing for a period of time. Applicant was directed to file a report--Late-filed Exhibit No. 3--regarding his investigation of this complaint. Exhibit No. 3 shows that test samples showed no "film" on the water and that the water was potable.

The staff testified that its recommended automatic controls would cost \$600 installed and that a 3/4-inch meter would cost approximately \$65 installed.

In closing statements, applicant's consultant requested that a year-end rate base be used in order to include all improvements in rate base. He requested that if automatic controls were to be installed, consideration be given to required maintenance. Protestant claims that there is no need to raise rates; that additional cabins on the same property should pay the same rate;



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that commercial users should pay more through flat rates; and that the Association does not approve of meters. The staff contends that commercial establishments should be metered; that it has no objection if additional residences be increased by an additional \$10 and that \$700 should be deducted from its estimated rate base as the evidence shows that there is no demand for fire hydrants or for the proposed tank lining.

#### Rate of Return

A rate of return of 4 percent is recommended by the staff 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, shown in Exhibit No. 1 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 staff recommended certain plant improvements which it deemed necessary. The estimated cost of these and applicant's planned improvements, shown in Exhibit No. 1, 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.

#### Adopted Results of Operation

The evidence shows that applicant has in place but has not yet erected a 38,000-gallon wooden tank. It appears that when this tank is installed and connected to the system that the water supply will be adequate. We will require applicant to complete

installation of this tank and necessary connecting piping. The evidence presented by applicant and staff is not convincing as to the need for automatic control of the pumps. We will allow applicant to continue his manual operation. The evidence clearly reveals that a second cabin on the same service connection uses as much water as the first cabin. Therefore, no good reason exists why multiple users on the same service connection should not pay equal rates. When the tank is connected to the system, applicant should be entitled to a 7 percent rate of return. Based upon the above, applicant is entitled to a net revenue of \$1,280 and a rate base of \$18,250 as shown in Table 2. This will require an increase in gross operating revenues of 67 percent.

Findings and Conclusion

The Commission finds that:

1. Applicant's present water supply facilities are inadequate to furnish the minimum requirements of the area on a flat rate service basis.
2. When applicant installs a 38,000-gallon tank and connects it to the system, the system will be adequate to supply residential service on a flat rate basis and commercial service on a metered basis.
3. When the system is adequate, applicant is entitled to a rate of return of 7 percent on his rate base.
4. The adopted estimates, previously summarized and discussed herein, of operating revenues, operating expenses and rate base for the test year 1967 reasonably represent the results of applicant's future operations.
5. The increases in rates and charges shown in Appendix A will be justified upon installation of a 38,000-gallon tank and connecting piping.

6. Decision No. 73921 should be rescinded.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After receipt by this Commission of a satisfactory certification by applicant that he has placed in service within one year after the effective date of this order a 38,000-gallon storage tank, applicant may be authorized by supplemental order 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 date thereof.

2. 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.

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 this map.

4. 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.

5. 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 No. 1 in this proceeding.

6. 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.

7. Applicant shall install meters on all commercial customers.

8. Decision No. 73921 is rescinded.

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

Dated at San Francisco, California, this 4<sup>th</sup> day of SEPTEMBER, 1968.

William Synovus Jr.  
President  
Paul E. Mitchell  
William L. Brown  
August  
Fred P. Monissey  
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</u> <u>Per Month</u>	
Monthly Quantity Rates:		
First 800 cu. ft. or less .....	\$5.00	(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</u> <u>Per Year</u>	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 60.00	(I)
For 3/4-inch meter .....	84.00	
For 1-inch meter .....	120.00	
For 1 1/2-inch meter .....	216.00	
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 (T) 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. (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, (T)  
approximately 20 miles easterly of Sonora, Tuolumne County. (T)

RATES

	<u>Per Service Connection Per Year</u>	
For a single-family residential unit or business establishment including premises .....	\$66.00	(I)
For each additional single-family residential unit or business establishment on the same premises and served from the same service connection .....	66.00	(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 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)

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Schedule No 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS--Contd.

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

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. (N)  
(N)