

Decision No. 74685**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)
 LEONA B. ROWLAND and FAY ROWLAND,)
 doing business as ROWLAND WATER CO.,)
 under Section 454 of the Public)
 Utilities Code, for Authority to)
 Increase Rates for Water Service.)

Application No. 49394
 (Filed May 23, 1967;
 Amended March 28, 1968)

Verner R. Muth, for Rowland Water Co.,
 applicant.
John D. Reader, for Commission staff.

O P I N I O N

Leona B. Rowland and Fay Rowland, applicants, doing business as Rowland Water Co., seek authority to increase their rates for water service near Porterville, Tulare County.

Public hearing was held before Examiner Coffey in Porterville on July 9, 1968. Notice of hearing was mailed to customers in accordance with this Commission's rules of procedure. The matter was submitted on July 19, 1968 after the receipt of two late-filed exhibits.

Testimony on behalf of applicants was presented by one of applicants' sons who manages the utility operations and is an engineer. A Commission staff engineer presented the results of a field investigation of applicants' operations. Plant and facilities were inspected, water pressures were checked, customers were interviewed and applicants' records were examined. No customers offered any testimony.

Service Area and Water System

Applicants serve about 660 residential, business and light industrial customers by means of four water systems, in two tariff areas, within 4 miles of Porterville, Tulare County.

The water supplies are obtained from eight wells at six unfenced well sites. One of the four water systems is served by a single well. Additional pumping capacity was provided by the installation in 1966 and 1967 of larger pumping units in two wells and the eighth well in 1967. Installation of an additional well is planned in 1968. The increased pumping capacity at one well caused sand to be pumped for a period. Each well is equipped with a deep well turbine pump. Seven of the pumps range in pumping capacity from 164 gpm to 334 gpm. One pump cannot readily be tested for pumping capacity. Two pumps at a single site have a combined capacity of about 410 gpm. Pump controls are set to limit pressures which range between 35 and 65 psi. The pumps discharge through hydropneumatic pressure tanks to the distribution systems. One tank has a capacity of 3,000 gallons; the other five have capacities of 2,000 gallons each. Electric power bills and tests on the pumps indicate that the average quantity of water pumped is approximately 5,000 cubic feet per customer per month.

The distribution system consists of approximately 50,000 feet of dipped and wrapped welded or standard screw steel, plastic and cement-asbestos mains 2 to 8 inches in diameter. A 380-foot noncirculating section of 2-inch pipe in the vicinity of S. Waukesha and Slaughter Street exceeds the maximum length allowed by General Order No. 103, Section III.2a.

Rates

Residential and commercial services are furnished on a flat rate basis except for three metered services. Applicants request one tariff for the four water systems.

The rates proposed in the amended application would result in billing increases for some customers and decreases for other

customers. The flat rate charge for the Burton Street School would be withdrawn. Single-family residences with 10,001 square feet of premises would have their bills increased by about 39% in the Valley Gardens tariff area and about 28% in the Newcomb tariff area. In the Valley Gardens area all noncommercial premises have areas of 12,000 square feet or less. In the Newcomb tariff area, which area has the largest lots, the amended proposed rates for a single-family residence with 24,000 square feet of premises would result in a rate decrease of about 21% if the presently filed rates had been charged. The meter rate proposed for a 5/8 x 3/4-inch meter would result in a rate increase of about 52%. The rate for public fire hydrants connected to mains 4 inches or larger in diameter would be increased from \$1.50 to \$2 per month, an increase of 33%. Rates for fire hydrants on smaller mains would remain at \$1.50 per month. Applicants do not receive any revenue from public fire hydrants.

By their amended application, in addition to requesting changes in the basic flat and meter rate charges, applicants are now requesting a general flat rate schedule which would authorize them to bill their customers for irrigated areas at 1 cent per 100 square feet for areas in excess of 24,000 square feet during five months each year instead of the presently authorized rate of 3 cents per 100 square feet of lot area in excess of 10,000 square feet for 12 months.

The following Table I presents a comparison of applicants' present rates, those proposed by applicants, and those authorized herein.

TABLE I

COMPARISON OF RATES

	<u>Present Monthly Rates</u>		<u>Proposed</u>	<u>Authorized</u>
	<u>Valley</u>	<u>Newcomb</u>	<u>Monthly</u>	<u>Monthly</u>
			<u>Rates</u>	<u>Rates</u>
			<u>(Amended)</u>	
Metered Service:				
Quantity Rates:				
First 1,000 cu.ft. or less.....	\$ 3.00	\$ 3.00	\$ -	\$ -
First 800 cu.ft. or less.....	-	-	4.00	4.00
Next 2,000 cu.ft. or less.....	.20	.20	-	-
Next 2,200 cu.ft., per 100 cu.ft.	-	-	.32	.32
Next 2,000 cu.ft., per 100 cu.ft.	.18	.18	-	-
Next 7,000 cu.ft., per 100 cu.ft.	-	-	.24	.24
Next 5,000 cu.ft., per 100 cu.ft.	.15	.15	-	-
Over 10,000 cu.ft., per 100 cu.ft.	.12	.12	.16	.16
Minimum Charge:				
For 5/8 x 3/4-inch meter.....	3.00	3.00	4.00	4.00
For 3/4-inch meter.....	4.00	4.00	5.50	5.50
For 1-inch meter.....	6.00	6.00	8.50	8.50
For 1-1/2-inch meter.....	11.00	11.00	14.00	14.00
For 2-inch meter.....	16.00	16.00	21.00	21.00
For 3-inch meter.....	-	-	35.00	35.00
For 4-inch meter.....	-	-	50.00	50.00
Fire Hydrant Service:				
For each hydrant connected to a main less than 4 inches in diameter.....	1.50	1.50	1.50	1.50
For each hydrant connected to a main 4 inches or more in diameter	1.50	1.50	2.00	2.00
Flat Rate Service:				
For premises not exceeding 10,000 square feet.....	3.50	4.00	-	-
For each 100 square feet in excess of 10,000 square feet.....	.03	.03	-	-
Evaporative-type cooler during June, July, August and September				
Noncirculating type.....	.75	-	-	-
Circulating type.....	.25	-	-	-

	<u>Present Monthly Rates</u>		<u>Proposed Monthly Rates (Amended)</u>	<u>Authorized Monthly Rates</u>
	<u>Valley Gardens</u>	<u>Newcomb</u>		
Flat rates for a single-family residential unit including premises of:				
8,000 square feet or smaller.....	\$ -	\$ -	\$ 4.10	\$ -
8,001-10,000 square feet.....	-	-	4.60	-
10,001-12,000 square feet.....	-	-	5.10	-
12,001-14,000 square feet.....	-	-	5.60	-
14,001-18,000 square feet.....	-	-	6.10	-
18,001-24,000 square feet.....	-	-	6.50	-
For a single-family residential unit, including premises of:				
10,000 square feet or less.....	-	-	-	4.25
10,001-12,000 square feet.....	-	-	-	4.50
12,001-14,000 square feet.....	-	-	-	4.75
14,001-18,000 square feet.....	-	-	-	5.25
18,001-24,000 square feet.....	-	-	-	6.00
24,001-30,000 square feet.....	-	-	-	6.75
Additional, for irrigation of areas over 24,000 square feet, during the five-month period May through September, per 100 square feet.....				
	-	-	.01	-
For each 100 sq.ft. of irrigated area, if total area of premises exceeds 30,000 square feet, applicable during the five-month period May through September..				
	-	-	-	.03
For each additional single-family residential unit.....				
	-	-	2.00	3.50
For each professional or business office	-	-	4.10	4.60
For each small commercial establishment	-	-	4.60	-
For each commercial establishment with premises of 20,000 square feet or less.	-	-	-	5.00

Protestant Position

At the request of the Commission, applicants mailed to each customer a notice by letter dated June 15, 1967, comparing present rates with those proposed in the original application and inviting the customers to call to the attention of the Commission any problems concerning water service, billing procedures or other factors pertaining to a reasonable service for the charges. A postal card, 14 letters from individuals and one petition-type letter with

approximately 175 signatures were received by the Commission as a result of the notice. Most persons protested any increase in rates. A few complained about the water service.

Results of Operation Analysis

The results of operation for the year 1968 as estimated by the applicants and by the staff at present and proposed rates and adopted results at rates authorized herein are set forth in the tabulation below.

TABLE II

Results of Operation - Year 1968 Estimated

Item	Present Rates		Proposed Rates		Adopted
	Applicants	Staff	Applicants	Staff	Results
<u>Operating Revenues</u>					
Metered Water Revenue	\$ 50	\$ 730	\$ 610	\$ 1,060	\$ 1,060
Unmetered Water Revenue	35,130 ^c	49,165 ^a	42,650	44,630	40,660
Private Fire Protection	140	-	140	140	140
Total	35,320	49,895	43,400 ^b	45,830	41,860
<u>Operating Expenses & Taxes</u>					
Power	4,000	3,750	4,000	3,750	3,750
Materials	500	300	500	300	300
Contract Work	200	200	200	200	200
Salaries and Labor	13,500	12,000	13,500	12,000	12,000
Office Supplies and Expenses	650	945	650	945	945
Insurance	300	230	300	230	230
Accounting, Legal & Other					
Services	460	500	460	500	500
General Expense	450	175	450	175	175
Vehicle Expense	900	350	900	350	900
Office Rental	1,080	1,080	1,080	1,080	1,080
Subtotal	22,040	19,530	22,040	19,530	20,080
Depreciation Expense	5,030	4,700	5,030	4,700	5,250
Property Taxes	3,000	3,000	3,000	3,000	3,000
Payroll & Miscellaneous Taxes	350	350	350	350	350
Franchise and Income Taxes	930	5,720	3,560	4,320	3,045
Total	31,350	33,300	33,980	31,900	31,725
Net Revenue	3,970	16,595	9,420 ^b	13,930	10,135
Rate Base	135,300	139,800	135,300	139,800	139,800
Rate of Return	2.9%	11.9%	7.0%	10.0%	7.25%

a. Assuming rigorous application of presently filed tariffs.

b. Staff computed.

c. Based on actual charges.

In the period, January 1, 1965 through April 30, 1967, the billing charges were changed by the utility for 21 customers, 7 were increased and 14 were decreased. While applicants have billed some flat rate customers by gross lot area as provided in the tariffs, they have billed other customers for area irrigated only. The under-billed revenue for 1967 is estimated at \$14,600.

At the hearing, after review of the staff exhibit, the only exceptions taken by applicants to the staff's results of operation were that:

1. The staff had not made sufficient allowance for power for one of the pumps.

2. The staff eliminated one of applicants' two pickup trucks from vehicle expense.

3. The staff depreciation allowance did not recognize the early retirement in 1966 of a main due to highway relocation.

Applicants' power estimate of \$4,000 includes office utilities. It is based upon 1967 expense of \$272 for office utilities plus \$3,674 for pumping power. The staff's estimate for power expense includes an allowance for power costs for a new well to be installed in 1968 and assumes temperature conditions close to normal. The staff has included office utility expense under office supplies and expense. We will adopt the staff estimate of power expense.

Applicants' reported expenses using two pickup trucks were \$263 for insurance expense and \$760 for vehicle expense. The staff estimates for vehicle expense and insurance cost reflect the elimination by the staff of one of applicants' two pickup trucks as being used only for employee commuting and not essential for utility work. Applicants maintained that the employees using the trucks were on

24-hour and weekend call for emergency work and that the number and separation of the systems required the use of two trucks frequently during normal working hours. The adopted results of operation include an allowance for the use of two trucks, but applicants will be required to maintain a log of truck use.

Applicants' depreciation accrual rates were reviewed by the staff in 1966. Applicants were authorized to apply rates for up to five years which resulted in a composite gross plant rate of 2.6 percent based on 1965 utility plant. These rates now result in a gross plant rate of 2.8 percent based on plant as of January 1, 1968. Applicants desire to include in their depreciation expense \$550 for five years to amortize the early retirement of relocated mains. The adopted results of operation provide for this amortization. Applicants may submit revised depreciation accrual rates for Commission review.

Neither applicants' nor the staff's estimate includes an allowance for the 10 percent surcharge on federal income taxes as imposed by The Revenue and Expenditure Control Act of 1968 for the period April 1, 1968 through June 30, 1969. The adopted results of operation provide prospectively for this increase in income taxes. The additional annual revenue requirement of \$340 will be collected as a surcharge of 1 percent on customer bills through June 30, 1969. The period of the application of this bill surcharge may be extended by tariff revision if the tax surcharge is extended beyond June 30, 1969.

An explanation of uncontested differences between the estimates of applicants and the staff is set forth in detail in Exhibit No. 1.

Rate Base

The staff rate base is higher than applicants' mainly because the staff has included a proposed new well and its pumping equipment in the rate base for the entire test year. The staff accepted applicants' estimate of \$400 for materials and supplies in 1968. Neither applicants nor the staff estimated any working cash for 1968. We will adopt the staff's rate base.

Rate of Return

The staff recommends a rate of return of 7.25 percent as a fair and reasonable return for this utility. In Exhibit No. 3 the staff set forth the following factors which it considered and, or evaluated:

- (a) No long-term debt in capitalization.
- (b) Record of adequate service to customers, improvement in compliance with regulatory requirements, ten years life of present rates, and reasonableness of level of staff recommended rates.
- (c) Lack of immediate growth and financing problems.
- (d) Small size of utility.
- (e) Escalating personal income tax rates.

We will adopt the staff's recommended rate of return.

Service

A review of the Commission's files revealed that there were no informal complaints filed between January 1, 1965 and May 23, 1967, the date on which the application in this matter was filed. In letters received by the Commission as a result of the application notice, five customers complained of poor water service, such as low and variable pressures, water outages, air in the water, and sand in the water. One customer mentioned to the staff engineer in the field that pressure was low between 5 and 9 p.m. during hot weather periods.

Pressure readings on July 24, 25, and 26, 1967, at various locations in the water systems indicated that pressure in the mains was satisfactory.

Several customers complained that for the same size of lots, customers irrigating their entire lot areas were billed less than customers doing less irrigation. Some customers referred to connection charges of \$50 or \$100. A representative of the utility explained to the staff engineer that, in 1961 and 1962, the Rowland Construction Company charged some customers \$50 each and \$100 each for customers' water service lines installed from property lines to homes. Coincidentally, in about 1961, applicants without Commission authorization entered into agreements with property owners to install water system facilities and to do private plumbing at a cost of \$100 per residence. The Commission's staff advised applicants in 1961 that they do not have the authority to require customers to enter into such agreements. Since 1962, the Rowland Water Company, as a service to customers, has installed customer water services between property lines and houses at a charge of \$10 to \$20 per installation for materials but has not charged for labor nor for the use of any equipment.

Application for a water supply permit has not been made for two of the four water systems.

A representative of applicants stated the utility would adhere to prescribed tariffs in the future.

Staff Recommendations

The staff recommends that applicants be:

- (a) Authorized to file the new and revised schedules attached to Exhibit No. 1 as Appendix A.
- (b) Ordered to keep and maintain their books of account in accordance with this Commission's Uniform System of Accounts for Class D Water Systems.

- (c) Ordered to change their books of account to agree with "Utility Plant in Service and Depreciation Reserve, December 31, 1966" as shown in Paragraph 17 of Exhibit No. 1.
- (d) Required to keep their books of account current, to maintain a work order system and to retain all invoices and other documents needed to support entries in the books of accounts.
- (e) Ordered that when the 380-foot noncirculating 2-inch pipe referred to in paragraph 12 of Exhibit No. 1 is extended or replaced that this 2-inch pipe be brought into compliance with General Order No. 103, Section III.2.a.

Rate Structure

The adopted rate structure is substantially the same as that recommended by the staff, modified only to reflect the adopted results of operation and the application of the tax surcharge. Single-family residences with 10,001 square feet of premises would have their bills increased by 20 percent in the Valley Gardens tariff area and 13 percent in the Newcomb tariff area under the authorized rates. Single-family residences with 20,000 square feet of premises would have their bills under the authorized rates reduced from \$6.75 to \$6.00 in the Valley Gardens tariff area and from \$7.00 to \$6.00 in the Newcomb area. The rate schedules as originally proposed and revised reflect the utility's practice under present rates of not charging in all instances for the total area of large premises if the entire area is not irrigated.

Findings and Conclusions

The Commission finds that:

1.a. Applicant is in need of additional revenues but the proposed rates set forth in the application are excessive and those set forth in Exhibit No. 1, Appendix A, are inadequate.

b. The adopted estimates, previously summarized and discussed herein, of operating revenues, operating expenses and rate base for the test year 1968 reasonably represent the results of applicants' future operation.

c. A rate of return of 7.25 percent on the staff's rate base is reasonable.

d. The increases in 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.

2. It is reasonable to permit applicants to amortize over 5 years the early retirement of mains relocated in 1966.

3. The staff recommendations herein listed are reasonable.

4. It is reasonable that applicants be required to maintain a log of truck use as long as they operate two pickup trucks.

5. It is reasonable that applicants be required to apply for water supply permits for any water systems for which they have not done so.

6. It is reasonable that applicants negotiate payment for public fire hydrant service.

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 the effective date of this order, Leona B. Rowland and Fay Rowland, dba Rowland Water Co., are authorized to file the new and revised rate schedules attached to this order as Appendix A. Such filing shall be made in accordance with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

2. Applicants shall keep and maintain their books of account in accordance with this Commission's Uniform System of Accounts for Class D Water Systems.

3. Applicants shall adjust their plant account to reflect the staff accounting adjustment to recorded balances at December 31, 1966, as detailed in the tabulation in paragraph 17 of Exhibit No. 1.

4. Applicants shall keep their books of accounts current, maintain a work order system and retain all invoices and other documents needed to support entries in their books of accounts.

5. Applicants shall bring into compliance with this Commission's General Order No. 103, Section III.2.a. the 380-foot section of 2-inch pipe referred to in paragraph 12 of Exhibit No. 1 when this pipe is extended or replaced.

6. Applicants shall maintain a continuing trip record of utility vehicle use showing date, time, mileage, location, and utility function served.

7. Applicants shall apply to the appropriate health authority for water supply permits for such water systems as applications have not been made and shall advise this Commission in writing, on or before October 1, 1968, that said applications have been made.

8. Applicants shall negotiate for payment for public fire hydrant service from the public fire fighting authority utilizing the facilities for fire fighting and shall report in writing to this Commission on or before July 1, 1969 of the status of the negotiations.

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

Dated at San Francisco, California, this 17th day of SEPTEMBER, 1968.

William Agnew, Jr.
President
John Mitchell
William L. Bennett
Director
Jack P. Monroney
Commissioners

APPENDIX A
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Schedule No. 1

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Valley Gardens, Mulberry, Riley and Nance Tracts, and vicinity located west and north of the City of Porterville, Tulare County.

(T)

(T)

RATES

Per Meter
Per Month

Quantity Rates:

First	800 cu.ft. or less.....	\$ 4.00	(I)
Next	2,200 cu.ft., per 100 cu.ft.....	.32	
Next	7,000 cu.ft., per 100 cu.ft.....	.24	
Over	10,000 cu.ft., per 100 cu.ft.....	.16	(I)

Minimum Charge:

For	5/8 x 3/4-inch meter.....	\$ 4.00	(I)
For	3/4-inch meter.....	5.50	
For	1-inch meter.....	8.50	
For	1 1/2-inch meter.....	14.00	
For	2-inch meter.....	21.00	(I)
For	3-inch meter.....	35.00	(N)
For	4-inch meter.....	50.00	(N)

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

For service to and including June 30, 1969, a surcharge of 1 percent of the charge for service determined by application of metered service rates will be included in the monthly bill.

Schedule No. 2

(T)

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Valley Gardens, Mulberry, Riley and Nance Tracts, and vicinity located west and north of the City of Porterville, Tulare County.

(T)
(T)

RATES

Per Service Connection
Per Month

For a single-family residential unit, including premises of:

10,000 square feet or less.....	\$4.25	(C)
10,001 - 12,000 square feet.....	4.50	
12,001 - 14,000 square feet.....	4.75	
14,001 - 18,000 square feet.....	5.25	
18,001 - 24,000 square feet.....	6.00	
24,001 - 30,000 square feet.....	6.75	(C)
a. For each 100 sq. ft. of irrigated area, if total area of premises exceeds 30,000 square feet, applicable during the five-month period May through September.....	0.03	(C)
b. For each additional single-family residential unit on the same premises and served from the same service connection.	3.50	(N)
For each professional or business office....	4.60	
For each commercial establishment with premises of 20,000 square feet or less.....	5.00	(N)

For service to and including June 30, 1969, a surcharge of 1 percent of the charge for service determined by application of flat rate service rates will be included in the monthly bill.

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APPENDIX A
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Schedule No. 2

FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter. (C)
2. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service. (C)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Valley Gardens, Mulberry, Riley and Nance Tracts, and vicinity located west and north of the City of Porterville, Tulare County.

RATE

Per Month

For each inch of diameter of service connection..... \$1.50

For service to and including June 30, 1969, a surcharge of 1 percent of the charge for service determined by application of metered service rates will be included in the monthly bill.

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

2. The minimum diameter for fire protection service shall be 4 inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.

3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Continued)

4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE (T)

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, (T)
organized fire districts and other political subdivisions of the State. (T)

TERRITORY

Valley Gardens, Mulberry, Riley and Nance Tracts, and vicinity (T)
located west and north of the City of Porterville, Tulare County. (T)

RATE

	<u>Per Month</u>	
For each hydrant connected to mains smaller than 4 inches in diameter.....	\$1.50	(C)
For each hydrant connected to mains 4 inches or larger in diameter.....	2.00	(I)

For service to and including June 30, 1969, a surcharge of 1 percent of the charge for service determined by application of public fire hydrant service rates will be included in the monthly bill.

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall (N)
be charged for at the quantity rates in Schedule No. 1, Metered Service. (N)

2. The cost of relocation of any hydrant shall be paid by the party (C)
requesting relocation. (C)

3. Hydrants shall be connected to the utility's system upon receipt (N)
of written request from a public authority. The written request shall
designate the specific location of each hydrant and, where appropriate,
the ownership, type and size. (N)

4. The utility undertakes to supply only such water at such pressure (T)
as may be available at any time through the normal operation of its system. (T)