

Decision No. 75131

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of Georgia M. Eaton as executrix
of the estate of Fred H. Eaton and
Georgia M. Eaton doing business as
The Brentwood Water Company under
Section 454 of the Public Utilities
Code for authority to increase rates
for water services.

Application No. 50317
(Filed June 14, 1968)

O P I N I O N

Georgia M. Eaton, acting in the dual capacity of
(1) "executrix of the estate" of her late Husband, F. H. Eaton,^{1/}
and (2) co-owner, with her late husband, of the water system known
as Brentwood Water Co., seeks authority to increase rates for water
service.

At the request of the Commission, applicant sent a notice
to each customer regarding the requested rate increase, inviting
customers to call the Commission's attention to any problems
covering water service, billing procedures or other factors per-
taining to a reasonable service for the rate charged. The
Commission received letters from four customers, citing dirty or
sandy water, low or fluctuating pressure, and leaky mains, as
discussed in a Commission staff report, hereby received as Exhibit
No. 1.

In Exhibit No. 1, the staff recommends a smaller revenue
increase than requested by applicant. It also recommends the
establishment of rates for nonresidential service, a service not
heretofore provided under applicant's tariffs. Copies of

^{1/} Also known as Fred H. Eaton.

Exhibit No. 1 were sent to applicant and the various potential non-residential customers under the new tariffs. No objections to the staff's recommendations have been received from those parties.

Service Area and Water System

Applicant provides water service to some 70 flat rate customers in the Brentwood Village Subdivision, located in unincorporated territory approximately 3/8 of a mile northwest of the City of Woodland, Yolo County.

The source of supply consists of two wells, one of which is used only for emergency standby and periods of peak demand. Two hydropneumatic tanks maintain pressure in the distribution system, which consists of approximately 3,600 feet of 6-inch to 8-inch pipe.

Service

An investigation of applicant's service area and facilities by the Commission staff indicated that adequate service was being provided. The staff's investigation did not reveal any widespread current problems with dirty water or low and fluctuating pressures but one service leak observed in the street reportedly had continued for more than a month without having been repaired.

Applicant recently acquired an air compressor to be used in maintaining an adequate air cushion in the hydropneumatic tanks. The staff concludes in Exhibit No. 1 that this should eliminate much of the pressure variation that had occurred in the past.

The staff concludes in Exhibit No. 1 that applicant's present plant cannot serve adequately any more territory and stay within the requirements of General Order No. 103. An additional source of supply or storage facilities to utilize the present wells more effectively should be installed before applicant undertakes to serve any larger area.

Rates, Rules and Maps

Applicant's present tariffs include the single rate schedule authorized in 1954 in applicant's certificate proceeding. This schedule provides for residential service only, at a flat rate of \$3.50 per month. Applicant proposes to increase the present rate to \$5.00 per month, an increase of 43 percent.

The Commission staff's investigation disclosed several violations of applicant's tariffs. Eight residential customers were being served without charge, two nonresidential customers were being served under the residential rate, and two other nonresidential customers were being served under unauthorized rates of \$10 and \$20, respectively, per month.

The staff investigated the probable water requirements of the nonresidential customers as compared with the residential customers. In Exhibit No. 1, the staff concludes that the present charges for nonresidential use bear a reasonable relationship to the present residential rate, except that the rate for a 30-bed nursing home should be about ten times, rather than about six times, the residential rate. Based upon these conclusions and the staff's study of applicant's results of operation, the staff recommends that monthly rates be authorized as follows: \$4.45 for residential and two small nonresidential customers, \$13.00 for Woodland Tractor Company and \$44.00 for Countryside Nursing Home.

The staff further recommends that applicant be required to file up-to-date rules to replace the original rules filed in 1954, and to file copies of current service area and system maps.

Results of Operation

Applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in Table I, from applicant's Exhibit E and the staff's Exhibit No. 1, are the

estimated results of operation for the test year 1968, under present water rates, under those proposed by applicant and under those recommended by the staff. Rates of return are shown rounded to the nearest 1/4 percent.

TABLE I
ESTIMATED RESULTS OF OPERATION
TEST YEAR 1968

<u>Item</u>	<u>Applicant</u>	<u>Staff</u>
<u>At Present Rates</u>		
Operating Revenues	\$ 2,863	\$ 3,215
Deductions	2,703	3,195
Net Revenue	160	20
Rate Base	12,712	13,070
Rate of Return	1-1/4%	1/4%
<u>At Rates Proposed by Applicant</u>		
Operating Revenues	\$ 3,960	\$ 4,440
Deductions	3,144	3,405
Net Revenue	816	1,035
Rate Base	12,712	13,070
Rate of Return	6-1/2%	8%
<u>At Rates Recommended by Staff</u>		
Operating Revenues	-	\$ 4,315
Deductions	-	3,385
Net Revenue	-	930
Rate Base	-	13,070
Rate of Return	-	7%

From Table I it can be seen that applicant's proposed rates would result in an increase of about 38 percent in operating revenues whereas the staff's recommended rates will result in an increase of about 34 percent.

The principal differences between the revenue estimates of applicant and staff at present rates and at applicant's proposed rates are due to the staff's inclusion of future revenues properly collectible from customers who have been provided free service in the past.

The principal difference between the expense estimates of applicant and staff are due to the staff's recognition of an increase in power costs resulting from a change in power rate classification which took place after applicant's estimates were prepared.

Part of the difference between the rate base estimates of applicant and staff is due to corrections made by the staff in plant and depreciation reserve accounts to reflect the unrecorded retirement of a pump in 1965. The remaining difference is due to applicant's omission of 1968 additions in deriving the 1968 rate base.

After reviewing recent Commission decisions relating to other small water utilities, and noting that applicant will need to make only minimal expenditures for plant additions to serve the present customers in the near future, the staff recommends in Exhibit No. 1 water rates which should produce a return of about 7 percent on rate base while the present 10 percent surcharge on Federal Income Taxes is in effect and about 7-1/4 percent return if and when the tax surcharge expires. This range of rate of return is reasonable under applicant's particular circumstances.

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.

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

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c. A rate of return of from 7 to 7-1/4 percent on rate base is reasonable for applicant's operations.

d. The increases in rates and charges authorized herein are justified; the 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. Applicant has failed to promptly repair leaks in the water system.

3. Applicant failed to record the retirement of a pump in 1965, which requires adjustment to applicant's books in accordance with the staff corrections on Page 4 of Exhibit No. 1.

4.a. Applicant's present tariff service area maps do not reflect the present area served.

b. Applicant's present general rules are not the current revised rules filed by most water utilities.

5. Applicant has not prepared and kept up-to-date a system map as required by General Order No. 103.

6. Applicant's present system is adequate only for the area now being served.

The Commission concludes that the application should be granted to the extent set forth in the order which follows and that applicant should be required to take such actions and be limited by such restrictions as are set forth therein.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Georgia M. Eaton, acting for herself and her late husband F. H. Eaton and doing business as Brentwood Water Co., is authorized to

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File the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

2. Within ten days after the effective date of this order, applicant shall have the service area inspected for visible leaks in the water system, shall repair any such leaks that are found, and shall file in this proceeding a written notification of compliance with this paragraph.

3. Within ten days after the effective date of this order, applicant shall record on the utility books of account the staff adjusted balances for utility plant and related depreciation reserve, and consistent therewith adjusting other appropriate balance sheet accounts, at December 31, 1967, as set forth in the tabulation on Page 4 of Exhibit No. 1, and shall file in this proceeding written notification of compliance with this paragraph.

4. Within twenty days after the effective date of this order, applicant shall file appropriate revised tariff service area maps and general rules. 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.

5. 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 this Commission two copies of this map.

6. Applicant shall not extend service outside of the present area served by the utility system, nor file any revised tariff

service area map indicating a willingness to so extend service, without first having obtained authorization therefor by further order of this Commission.

The effective date of this order shall be twenty days after the date hereof unless before such effective date a written request for hearing has been filed in this proceeding, in which event the effective date of this order shall be stayed until further order of this Commission.

Dated at San Francisco, California, this 20th day of DECEMBER, 1968.

William M. Bennett

President

Harold P. Monasoff

Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 2 (C)

FLAT RATE SERVICE (C)

APPLICABILITY

Applicable to all flat rate water service. (C)

TERRITORY

Brentwood Village Subdivision and vicinity, located 3/8 mile northwest of Woodland, Yolo County. (C)
(C)

RATES

	<u>Per Service Connection Per Month</u>	
For a single family residential unit	\$ 4.45	(I)
For Woodland Tractor Company	13.00	(N)
For Countryside Nursing Home	44.00	
For other commercial establishments, professional or business office	4.45	(N)