

Decision No. 80271

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
QUINCY WATER COMPANY for an Order
Authorizing an Increase in Rates
in six steps.

Application No. 52730
(Filed June 30, 1971)

O P I N I O N

Quincy Water Company, a family owned California corporation, seeks authority to increase rates for water service to approximately 633 customers in and about the town of Quincy, Plumas County. A summary of this application and of the results of the staff investigation thereof was sent to all customers as of February 2, 1972. One customer commented on the requested rate increase.

Service

As set forth in the application and Commission staff report, dated December 9, 1971, hereby received as Exhibit No. 1, in 1958 the State Department of Public Health issued a health permit to Quincy Water Company. Subsequently, in January 1970, the State Department of Public Health notified applicant that "it is necessary for all domestic water purveyors using surface sources to provide treatment including filtration and 'fail-safe' chlorination, and covered reservoirs to protect the quality of the filtered water". Conferences were held with personnel of the Bureau of Sanitary Engineering of the State Department of Public Health and on May 4, 1970 the Bureau notified applicant that it must proceed with a program of improvements to eliminate the deficiencies in water quality protection. An engineering firm was engaged to prepare a study and a plan has been adopted. A copy of the engineer's report is included as Appendix A of the Revenue Requirement Study attached to this application as Exhibit C.

The engineering study reviews three alternative plans to meet the State Department of Public Health requirements. Each of the three plans call for taking the existing open reservoirs out of service and replacing them with two steel tanks. Plan No. 3 has been adopted as the most desirable. Under this plan applicant will discontinue the use of surface water, drill two new wells and construct facilities to deliver the water to the system. As an initial step applicant will increase the capacity of its pumping and distribution facilities in an attempt to obtain its total requirements from the two existing wells and will keep records designed to determine the safe annual yield of the ground water basin. If, after two years of operation, the safe annual yield proves to be less than adequate to meet the requirements of service, it will be necessary to transfer to Plan No. 2. This plan provides for the use of the two existing wells and construction of a 450 gpm treatment plant and appurtenances to permit the use of the surface water supply.

Applicant requests approval of the proposed improvement plans. The staff did not make a recommendation on the proposed plans other than to state that applicant is responsible to its customers to provide water as required, using presently available sources until alternate sources can be made available and that applicant should comply with the requirements of General Order No. 103.

Rates

Applicant requests a 22.35 percent increase in rates designed to produce a nine percent return on the 1970 adjusted rate base. Applicant also requests authority to further increase its rates in stages as each phase of the improvement program is completed. Applicant desires to be assured that rates in effect at the time the entire improvement program is completed will provide a reasonable rate of return on the then existing rate base. The request for rates herein is based upon the revenue requirements developed for the modified year 1970 plus the additional revenue requirements in the form of operating expenses and fixed charges, including a return on

rate base, due to the improvement program. Applicant proposes to submit reports of completion and the costs of construction following the completion of each phase. In the event that construction costs are substantially greater or less than the estimate, adjustments would be made in the estimated revenue requirements at that point in order that the rate increase will conform to the change in revenue requirements due to the improvement program. Based upon the estimated costs of each phase of construction, rate increases required presently and following completion of each phase will be as follows: a 22.35 percent increase in rates is needed to meet the revenue requirements of 1970, and rates for service for the period following 1970 will be increased by the ratio of the sum of the modified 1970 revenue requirements plus revenue requirements due to the improvement program, to the modified 1970 revenue requirements at the time each phase of the improvement program is completed. Rates designed to meet these requirements are compared with present rates in the following tables:

<u>General Metered Service</u>								
<u>Per Meter Per Month, Dollars</u>								
<u>Proposed Rates</u>								
<u>Improvement Program, Years</u>								
Description	Present Rates	Modified Year 1970	Plan No. 3					Plan No. 3 + 2
			First	Second	Third	Fourth	Fifth	Third
<u>Quantity Rates:</u>								
First 600 cu.ft. or less	3.50	4.28	5.20	5.34	5.70	6.11	6.65	6.82
Next 1,400 cu.ft. per 100 cu.ft.	.30	.37	.45	.46	.49	.53	.58	.59
Next 3,000 cu.ft. per 100 cu.ft.	.23	.28	.34	.35	.37	.40	.44	.45
Over 5,000 cu.ft. per 100 cu.ft.	.17	.21	.26	.27	.29	.31	.34	.35
<u>Minimum Charge:</u>								
For 5/8 x 3/4-inch meter	3.50	4.28	5.20	5.34	5.70	6.11	6.65	6.82
For 3/4-inch meter	5.00	6.12	7.44	7.64	8.16	8.74	9.52	9.76
For 1-inch meter	7.00	8.56	10.41	10.69	11.41	12.22	13.30	13.66
For 1 1/2-inch meter	10.00	12.24	14.88	15.29	16.32	17.49	19.04	19.54
For 2-inch meter	15.00	18.35	22.31	22.92	24.47	26.22	28.54	29.29
For 3-inch meter	25.00	30.59	37.19	38.20	40.78	43.70	47.58	48.82
For 4-inch meter	40.00	48.94	59.50	61.12	65.25	69.92	76.12	78.11
Percent Rates Increased		22.35	21.58	2.73	6.75	7.15	8.87	27.80

Residential Flat Rate ServicePer Service Connection Per Month, DollarsProposed RatesImprovement Program, Years

Plan No.

Present
RatesModified
Year
1970

Plan No. 3

3 + 2

Description

First

Second

Third

Fourth

Fifth

Third

Rates

For each single family
residence including
premises having an
area of:

4,000 sq.ft. or less	3.75	4.58	5.57	5.72	6.11	6.55	7.13	7.31
4,001 - 7,000 sq.ft.	4.00	4.89	5.95	6.11	6.52	6.99	7.61	7.80
7,001 - 10,000 sq.ft.	4.50	5.50	6.69	6.87	7.33	7.85	8.55	8.78
10,001 - 15,000 sq.ft.	4.75	5.81	7.06	7.25	7.74	8.29	9.03	9.27
Over 15,000 sq.ft.	5.00	6.12	7.44	7.64	8.16	8.74	9.52	9.76

For each additional
residential unit served
through the same
service connection

3.00	3.67	4.46	4.58	4.89	5.24	5.70	5.85
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Percent rates increased	22.35	21.58	2.73	6.75	7.15	8.87	27.80
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School and Courthouse Flat Rate ServicePer Service Connection Per Month, DollarsProposed RatesImprovement Program, Years

Plan No.

Present
RatesModified
Year
1970

Plan No. 3

3 + 2

Description

First

Second

Third

Fourth

Fifth

Third

Rates

Quincy Elementary School	34.00	41.60	50.58	51.96	55.47	59.44	64.71	66.40
Plumas County High School	110.00	134.59	163.63	168.10	179.45	192.28	209.33	214.83
Plumas Unified School								
District Offices	19.00	23.24	28.25	29.02	30.98	33.20	36.14	37.09
Plumas County Courthouse	70.00	85.65	104.10	106.97	114.19	122.35	133.20	136.71
Percent Rates Increased		22.35	21.58	2.73	6.75	7.15	8.87	27.80

Private Fire Protection Service and Public Fire Hydrant Service

Type of Service and Rates	Present Rates	Modified Year 1970	<u>Proposed Rates, Dollars</u> <u>Improvement Program, Years</u>					Plan No.
			Plan No. 3					3 + 2
			First	Second	Third	Fourth	Fifth	Third
<u>Private Fire Protection Service</u>								
Rates Per Month:								
For Each Inch of Diameter of Service Connection								
	1.75	2.14	2.60	2.67	2.85	3.05	3.32	3.41
<u>Public Fire Hydrant Service</u>								
Rates Per Month:								
For Each Hydrant								
	1.75	2.14	2.60	2.67	2.85	3.05	3.32	3.41
Percent Rates Increased								
		22.35	21.58	2.73	6.75	7.15	8.87	27.80

Results of Operation

The following table compares the results of operation estimated by applicant and the staff in the test year 1970 under present and proposed rates and sets forth the staff estimates for the test year 1971:

SUMMARY OF EARNINGS

Item	Company		Staff			
	1970 Adjusted		1970 Adjusted		1971 Estimated	
	Present	Proposed	Present	Co. Prop.	Present	Co. Prop.
	Rates	Rates	Rates	Rates	Rates	Rates
Operating Revenues	\$36,631	\$44,820	\$38,500	\$47,120	\$39,400	\$48,200
<u>Deductions</u>						
Operating Expenses	25,392	25,392	23,960	23,960	24,780	24,780
Depreciation Expense	4,826	4,826	4,000	4,000	4,100	4,100
Taxes Other Than on Income	4,584	4,584	3,900	3,900	4,000	4,000
Taxes on Income	502	2,748	1,360	3,720	1,320	3,740
Total Deductions	35,304	37,550	33,220	35,580	34,200	36,620
Net Revenue	1,327	7,270	5,280	11,540	5,200	11,580
Average Depreciated Rate Base	80,776	80,776	80,000	80,000	81,400	81,400
Rate of Return	1.64%	9.00%	6.60%	14.42%	6.39%	14.23%

After reviewing the staff report on its investigation of this application, applicant informally indicated its willingness that the matter be decided without a hearing. Thereafter, applicant sent a summary of the applicant's request and the results of the staff investigation thereon to each customer, inviting customers to communicate their views to the Commission. One customer commented adversely on the establishment of rates for each of the next five years dependent upon the proposed improvement program.

We shall adopt the staff revenues, expenses and rate base for the test year 1971 for the purposes of this proceeding. We will authorize increased rates based on the test year 1971, but we will not authorize staged increases in rates. It is premature to establish at this time rates to be charged after each of the five phases of improvement in supply. We will not indicate approval, or disapproval, of the proposed improvement plans. This record is not adequate, nor is it appropriate, for the Commission to relieve management of its responsibility, and risks, of making such decisions as may be required to provide its customers with water at reasonable rates. However, the Commission is concerned with the adequacy and quality of applicant's water supply, and may authorize such future rate adjustments as applicant demonstrates are based on efficient operations and prudent investment.

Applicant requests rates which would yield a rate of return of 9 percent in the test year 1970 on the average depreciated rate base. The staff recommends that a rate of return of 8 percent be established as reasonable for this utility. As of December 31, 1970, applicant was financed wholly by equity capital. We find reasonable a rate of return of 8 percent for the purpose of this proceeding. No allowance will be made for slippage in the rate of return under the circumstances of this proceeding.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of additional revenues.

2. The staff estimates of operating revenues, operating expenses and rate base for the test year 1971 reasonably represent the results of applicant's future operations and are hereby adopted.

3. A rate of return of 8.0 percent on the adopted rate base is reasonable for this small water utility.

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

5. Staff recommendations contained in Exhibit No. 1 on revision of system maps, depreciation rates, quality of water and adjustment of books of account are reasonable.

6. A public hearing is not necessary.

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

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Quincy Water Company, Inc. is authorized 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 effective date thereof.

2. Within ninety days after the effective date of this order, applicant shall file with the Commission two copies of a revised system map as required by paragraph I.10.a. of General Order No. 103.

3. Beginning with the year 1971, applicant shall apply the individual plant account depreciation rates set forth in Table 3-A of Exhibit No. 1 in this proceeding, until review indicates otherwise. Applicant shall review its future depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. The results of each review shall be submitted promptly to the Commission for review.

4. Applicant shall comply with the requirements of General Order No. 103 regarding quality of water.

5. Applicant shall adjust its books to reflect the staff adjusted balances for utility plant, reserve for depreciation, contributions in aid of construction, materials and supplies, as of December 31, 1970, as set forth on page 4 of Exhibit No. 1 in this proceeding.

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

Dated at Los Angeles, California, this 18th day of JULY, 1972.

Vernon L. Sturges
President
William J. [unclear]
[unclear]
[unclear]
[unclear]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Quincy and vicinity, Plumas County.

RATES

Quantity Rates

Per Meter
Per Month

First 600 cu. ft. or less.	\$ 3.66 (I)
Next 1,400 cu. ft., per 100 cu. ft. . .	.31
Next 3,000 cu. ft., per 100 cu. ft. . .	.24
Over 5,000 cu. ft., per 100 cu. ft. . .	.18

Minimum Charge:

For 5/8 x 3/4-inch meter	3.66
For 3/4-inch meter	5.23
For 1-inch meter	7.33
For 1 1/2-inch meter	10.47
For 2-inch meter	15.70
For 3-inch meter	26.17
For 4-inch meter	41.88 (I)

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

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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

Quincy and vicinity, Plumas County.

RATES

Per Service Connection
Per Month

For each single family
residence including premises
having an area of:

4,000 sq. ft. or less.	\$3.93 (I)
4,001 - 7,000 sq. ft.	4.19
7,001 - 10,000 sq. ft.	4.71
10,001 - 15,000 sq. ft.	4.97
Over 15,000 sq. ft.	5.23

For each additional residential
unit served through the same
service connection

3.14 (I)

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.

2. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

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Schedule No. 3

SCHOOL AND COURTHOUSE FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished on a flat rate basis to public schools, public school district offices and the Plumas County Courthouse.

TERRITORY

Quincy and vicinity, Plumas County.

RATES

	Per Service Connection
	<u>Per Month</u>
For Quincy Elementary School	\$ 35.60 (I)
For Plumas County High School	115.16
For Plumas Unified School District Offices	19.89
For Plumas County Courthouse.	73.29 (I)

SPECIAL CONDITION

Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Quincy and vicinity, Plumas County.

RATE

Per Month

For each inch of diameter of service connection . . \$1.83 (I)

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 four 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 - Contd.

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 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.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to public fire hydrant service to Plumas County and other political subdivisions of the state.

TERRITORY

Quincy and vicinity, Plumas County.

RATE

	<u>Per Month</u>
For each hydrant	\$1.83 (I)

SPECIAL CONDITIONS

1. The above rate includes use of water for fire protection and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges will be made at the monthly quantity rates under Schedule No. 1, General Metered Service.
2. Fire hydrants will be installed and maintained at the cost of the fire protection agency.
3. 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.