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ORIGINAL

Decision 84 03 060 MAR 21 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Winton Water Company to increase rates for water service in Merced County.

Application 83-03-19
(Filed March 4, 1983)

Bruce McDonough, Attorney at Law, for Winton Water Company, applicant.
Stanley W. Little, for Pacific Gas and Electric Company, interested party.
Robert Cagen, Attorney at Law, for the Commission staff.

OPINION

This is an application in which the Winton Water Company (Company) seeks to increase its rates for water service.

A duly noticed public hearing was held in this matter before Administrative Law Judge Donald B. Jarvis in Merced on July 12 and 13, 1983. It was submitted subject to the filing of transcripts and briefs, which have been received.

Summary of Decision

This decision authorizes an increase in rates to yield additional revenues of $76,160 and a return on rate base to 11.5%. The bill of an average customer will be increased 50.3%.

Background

Preliminarily, it should be noted that in this proceeding there are circumstances not usually present in a typical rate case. Company is being run by a receiver appointed by the Merced County Superior Court upon the request of this Commission. Reasons for the receivership include misuse of Safe Drinking Water Bond Act loan funds and failure to keep adequate books and records as required by

Commission rules. The evidence also indicates that at the time of hearing Company owed Pacific Gas and Electric Company (PG&E) $91,469 in unpaid power bills and was only making partial payments on current bills. The original Receiver has been replaced by a successor. However, the original Receiver prepared this application and testified for Company at the hearing. "Receiver" refers to the original one unless otherwise stated.

Company's Request

Company requests an increase in annual revenues of $117,000 which would result in an increase of approximately 79% for water services. This increase does not include revenue for the loan repayment surcharge for the loan from the Department of Water Resources (DWR) under the Safe Drinking Water Bond Act.

Company provides flat rate service to approximately 1,300 customers. There are two metered customers. Company's present and proposed rates for flat rate service are as follows:

Flat Rates

	Per Service Connection Per Month		Per Service Connection Per Month	
	Authorized Rates		Rates	
	Present	Surcharge	Proposed	Surcharge
For a single-family residential unit, including premises not exceeding 9,000 sq.ft. in area	$8.40	$2.70	$15.05	$2.70
a. For each additional single-family residential unit on the same premises	5.65	2.70	10.10	2.70
b. For each 100 sq.ft. of premises in excess of 9,000 sq.ft.	.045	.011	.08	.011
For each commercial launderette, per washing machine	3.35	1.10	6.00	1.10
For each freezer locker plant	11.05	3.60	19.80	3.60
For each store, market, shop, or service station	8.40	2.70	15.05	2.70
For each hotel, apartment, or motel, including first unit, office, and utility room	8.40	2.70	15.05	2.70
a. For each additional unit	5.65	2.70	10.10	2.70

Contentions of the Parties

A. Company's Position

Company contends that it is entitled to an increase in rates. It also argues that the rates should include an increment for payment of arrearages owed the Receiver and legal fees incurred in connection with the receivership.

B. PG&E's Position

PG&E contends that the decision in this matter should provide a mechanism for the full payment of current power bills. It also argues for a provision providing for repayment of the amount of power bills which are in arrears.

C. Position of Public Witnesses

Three members of the public made sworn statements, which reflect the position of many of the customers. These statements encompassed the following points: (1) Numerous customers have low incomes or are on fixed income and cannot afford to pay increased rates. (2) The customers should not have to pay twice for the DWR loan funds which were misused. (3) Company can get by with less labor than it seeks to expense in this proceeding.

D. Position of the Commission Staff (Staff)

The Staff argues that an increase in rates is warranted but disagrees with Company as to the magnitude of the increase. The Staff and Company are in agreement that an 11.5% rate of return is reasonable. The Staff and Company differ on estimates of operating revenues and certain expense items. The primary differences between the Staff and Company relate to questions relating to the payment of arrearages in receiver and legal fees in connection with the receivership.

Material Issues

The material issues presented in this proceeding are: (1) Is Company entitled to an increase in rates, and if so, what is the reasonable amount of such increase? (2) What provisions, if any, should be made for the payment of arrearages in receiver fees and legal fees in connection with the receivership? (3) What provisions, if any, should be made for the payment of arrearages in PG&E bills?

Discussion

Company and Staff used 1983 as the test year for purposes of this proceeding. Both agree that at present rates Company is operating at a net loss. Company is entitled to an increase in rates. (Lyon & Hoag v Railroad Commission (1920) 183 C 145.) The question is one of magnitude.

Operating Revenues

There is a disagreement between Company and Staff over estimated operating revenues. This estimate is very important in this case. To the extent estimated operating revenues are not realized, money may not be available to pay for authorized labor or PG&E power bills.

Part of the difficulty stems from how Company counted customers. For example, Company counted each unit of an apartment house as a separate customer. The Staff correctly applied Company's tariff and counted an apartment house as one customer to be billed as one main unit plus the other units on the premises served from the same connection. For the purpose of estimating operating revenues, we adopt the Staff methodology, which is in accordance with Company's tariff.

There are two main differences in the estimates of operating revenues. They relate to estimates of customer growth and estimates of water usage for metered service where the meters are broken.

A Staff assistant utilities engineer testified that she examined the water system in January 1983. At that time she saw construction in progress. Based on this construction she included in her estimate of revenues 21 new customers: one new store, 10 new single-family residences, and 10 new apartment residences. The estimated annual revenue generated by these new customers was $7,000.

Company contends that the estimate of $7,000 in revenue from new customers is too high. Company does not dispute the amount of construction in progress. It argues that the Staff witness gave no recognition to the realities of the real estate market and assumed the rental of all construction in progress for the test year. There is merit in the Company's position on this point.

The construction in progress was observed during the test year. It is not appropriate to include estimated revenues from these units for the entire year. Furthermore, the Staff witness did not consider the real estate and rental markets in her estimate. For the purposes of estimating operating revenues for the test year we will use one new store, five new single-family residences, and five new apartment residences.

Company's contention that the Staff has improperly allocated an extra $8,000 in revenue from the two metered customers is not correct. Company's position is the result of improper calculations.

Company argues that its 1982 recorded revenues were $140,000. The Staff's estimate of revenues for test year 1983 at present rates is $155,440. There is a difference of approximately $15,000 in the alleged recorded 1982 revenues and the Staff's estimate for the 1983 test year. The assistant utilities engineer testified that the additional customers generated by construction in progess would generate $7,000 in additional revenue at present rates. Company contends that $8,000 is being allocated to the two metered services, which is unrealistic.

Company's own estimate of operating revenues for the test year is $147,749. The difference in test year estimates is $7,691. Approximately $7,000 of this is attributable to the construction in progress. This question has been considered.

There are two metered customers in Company's system: a school and a service station. The meters have not functioned properly for a period of time. The Receiver testified that there was not sufficient money to repair or replace the meters. He billed the two customers on estimated usage. The Staff recommends that the meters be repaired so actual usage can be measured. Company agrees with the Staff recommendation, if there are sufficient funds to pay for the repairs. Our order will provide for the repair of these inoperative meters.

The difference between the Company and Staff estimates for operating revenues from metered service is $840 at present rates and $1,350 at proposed rates. The Commission is of the opinion that the Staff's methodology is reasonable and it will be used in conjunction with the rates hereafter adopted.

Operation and Maintenance Expenses

A. Purchased Power

Company's witness agreed that the Staff's estimate of $59,810 for purchased power was based on more recent information and should be adopted.

B. Employee Labor

Company and Staff presented different estimates for employee labor. Both utilized two outside service persons for the estimate. The difference is in wage rates.

Company presently employs two servicemen, who are paid $6 an hour. The Receiver testified that in the past Company experienced employee turnover and lack of fidelity problems which contributed to many of the other problems experienced by Company.

The servicemen are responsible for the pumping, treating, and delivery of potable water at adequate pressures free of any contaminants or sand. The Department of Health Services requires that at least one water company employee who is directly responsible for the maintenance of water quality be a certified water operator. When Receiver took over the operations of Company none of the employees were certified. The Receiver encouraged one of the servicemen to attend night courses at a local junior college to qualify for certification. That serviceman is now a certified water operator.

The Receiver testified that based on his ownership of another water company and knowledge of other water systems, in order to retain present personnel or hire others of equal caliber, it would be necessary to pay the lead serviceman $10 per hour and the second person $7.20 per hour. Company's estimates were based on these rates.

Staff used a formula approach in estimating employee labor. It took the present pay of the servicemen and increased it approximately 10%, which included regular and overtime pay. The Staff did not consider whether the present pay was adequate to retain or attract competent service personnel.

In view of the problems encountered by this system, it is in the best interest of the customers to insure that competent personnel are retained to operate and maintain it. Company's estimate for employee labor, which is based on actual wages paid in comparable situations, is more reasonable than Staff's and will be adopted.

C. <u>Materials</u>

Both Company and Staff estimate the cost of materials for the test year to be $2,000. That amount will be adopted.

D. <u>Office Salaries</u>

Company and Staff differ in their estimates for office salaries. Company's estimate is based on having two clerks and an office manager. Staff's estimate calls for two clerks and a part-time bookkeeper.

There is agreement on the need for two clerks and the amount of estimated wages for them. Further discussion on this point is unnecessary.

Company proposes to fill the position of office manager. It contends that the position is needed for proper operations. The office manager would maintain records and supplies, supervise inside and outside employees, and deal on a regular basis with the Department of Health Services and this Commission. Company estimates a salary of $18,000 per year for this position.

Staff contends that: The position of office manager has been vacant for several months. The Receiver presently performs some of the office manager functions. A part-time bookkeeper would be sufficient for these functions. The Staff's estimate for this position is $7,020.

In ordinary circumstances including an estimate for an office manager would be appropriate. However, under the facts presented we must consider the receivership and the attendant costs, the duties performed by the Receiver, and the level of office administration which would be reasonable for a water system of Company's size with its revenues. The Staff's estimate of $32,020 for office salaries is more reasonable and will be adopted.

E. Management Salaries

Company contends that the reasonable estimate for the salary of a general manager is $27,000. It argues that this amount should be considered separately from the costs of the receivership.

Staff utilized the amount determined by the Superior Court for compensating the Receiver ($24,000) as the estimated amount for management salaries.

The Receiver was appointed to operate Company. (Public Utilities (PU) § 855, CCP § 568.) Company does not seriously contend that the estimates for the test year should include both the full salary of a general manager and the Receiver. It argues that if the receivership is terminated, its estimate for the general manager's salary is reasonable. Also, if the receivership is continued, it would cover an increase in the Receiver's fee.

The Staff's estimate for management salaries, which is based on the present amount set by the Superior Court for compensating the Receiver, is reasonable and will be adopted.

F. Office Supplies and Expense

The Company witness testified that its estimate for office supplies and expense was incorrect and that the Staff's estimate of $9,000 was reasonable. The Staff's estimate will be adopted.

G. Insurance

Company's estimate for insurance is $24,330. The Staff estimated $18,730. The difference results from the Staff excluding coverages of vehicles which are not being used by utility personnel. As hereafter set forth under "Vehicle Expense," we believe the

Staff's estimate on vehicle usage to be more reasonable. The insurance estimate based upon this usage is more reasonable and will be adopted.

H. Accounting, Legal, Etc.

Company estimated $16,000 for outside services required. Staff estimated $3,500.

It its brief Company states that the $16,000 includes special costs of the receivership for which it has elected to ask separate treatment. It contends, however, that the Staff's estimate is not sufficient to provide for the costs of having Company's books audited by a CPA, costs of collections, and regulatory expense.

While Company challenges the Staff's estimate, it provided no evidence on these costs. The Staff's estimate based on its investigation is reasonable and will be adopted.

I. General Expense

Company estimated $8,400 for general expense. Staff estimated $4,700.

Company's estimate is based on a 1981 recorded amount, which included salary not appropriate for this account. Staff's estimate, which is based on a three-year average of the account (1980-82), is reasonable and will be adopted.

J. Vehicle Expense

Company estimated $5,600 for vehicle expense. Staff estimated $2,550. The difference is due to the number of vehicles used for the estimates.

Company's estimate is based on the use of three vehicles. It does not presently have three operative vehicles. The Receiver testified that if the money were available he would purchase new vehicles, which would help improve service. He conceded that the present application does not contain an increment which would permit the purchase of these vehicles. The Staff's estimate, which is based on current vehicle usage, is reasonable and will be adopted.

K. Office and Storage Space Rental

Company estimated $1,700 for storage space rental. Staff made no estimate for this account.

The Receiver testified that when he assumed his duties, Company stored tools, materials, and other supplies necessary for maintenance of its plant in a large shop building in the nearby town of Cressey. However, the building was sold and Company no longer has the use of it. Presently, tools and materials are kept outdoors unprotected from the elements. Company proposes to rent a shop building of approximately 450 square feet to provide a sheltered place to store tools and material. There would also be a small workbench to enable the performance of small mechanical jobs in a protected area. The Staff produced no evidence on this point. Company's estimate is reasonable and will be adopted.

Summary

A summary of operation and maintenance expenses is as follows:

Operation and Maintenance Expense

Item	Utility	Hydraulic Branch	Adopted
	Estimated Year 1983		
Purchased Power	$ 47,400	$ 59,810	$ 59,810
Employee Labor	35,800	26,700	35,800
Materials	2,000	2,000	2,000
Office Salaries	43,000	32,020	32,020
Management Salaries	27,000	24,000	24,000
Office Supplies & Expense	17,500	9,000	9,000
Insurance	24,330	18,730	18,730
Accounting, Legal, etc.	16,000	3,500	3,500
General Expense	8,400	4,700	4,700
Vehicle Expense	5,600	2,550	2,550
Office & Storage Space Rental Expense	1,700	0	1,700
Total O & M Expense	$228,730	$183,010	$193,810

Taxes Other Than Income

Company concedes that Staff's estimate of $6,900 for ad valorem taxes is correct. It will be adopted.

Payroll taxes are based on salaries. In the light of the findings made on estimates for salaries, the estimate of $6,870 for payroll taxes is reasonable.

The resultant total estimate of $13,770 for taxes other than income is reasonable.

Depreciation Expense

Company does not contest the Staff's estimate of $8,030 for depreciation expense. It will be adopted.

Average Depreciated Rate Base

Company accepted the Staff's estimate of $100,270 for average depreciated rate base which will be adopted.

Income Taxes

Company and Staff are in agreement as to how income taxes should be calculated. Based on the amounts herein determined, the estimated amount of $3,470 will be adopted.

Rate of Return

Company requested a rate of return of 11.5%. Staff took the position that the requested rate of return was not unreasonable. It also used 11.5% in its estimate. A rate of return of 11.5% is reasonable and will be adopted.

Rate Design

As indicated, except for two customers, the system is flat rate. There are no plans for metering residential customers. Company proposes to change the present two metered quantity blocks to one since the metered customers are commercial ones and their usage exceeds the lifeline allowance. The Staff concurs with this proposal and it will be adopted.

Attrition Allowance

Staff presented an exhibit with respect to an appropriate attrition allowance. The Staff adopted a conservative methodology and recommended an attrition allowance of 4.1% to go into effect 18 months after the effective date of this decision. The Commission is of the opinion that the Staff methodology is correct. However, the staff's estimate is based on its recommended percentage increase. Modifications have changed this amount. Applying Staff methodology to the modified figures, an attrition allowance of 4.35% will be adopted.

Extraordinary Expenses

There are two extraordinary expenses involved in this proceeding:

1. Past due PG&E bills.
2. Expenses of the receivership.

Past Due PG&E Bills

PG&E appeared in the proceeding. Its witness requested that the Commission provide an increment in rates to permit Company to fully pay present power bills. The witness testified that while PG&E seeks to collect the monies owed on past due bills it was not presenting a specific proposal on this issue.

The PG&E witness suggested the use of a balancing account to prevent underpayment of power bills in the future. The rates authorized in this decision provide monies for the payment of current power bills. A balancing account without a rate adjustment mechanism will serve no useful purpose. None will be provided.

Receivership Expenses

The record indicates that as of the time of hearing there was a court awarded amount of $37,127.76 for receivership expenses still outstanding. The amount includes receiver's fees, attorney fees, costs for materials, printing office supplies, and miscellaneous expenses.

Company contends that provision for the payment of these expenses should be made over a period of time with an increment in rates. The Staff disagrees and argues that the receivership expenses should come only out of the owner's return on equity.

The facts leading to the receivership may be found in Investigation of Winton Water Co.(1981) 6 CPUC 2d 715. In that decision the Commission ordered that:

> "1. The Legal Division is directed to file an action in the appropriate Superior Court against Irvin Heppner (Heppner) and Winton Water Company, Inc. (Winton) and/or the Riverdale Water Company, Inc. (Riverdale) for injunctive relief, civil penalties, and to petition the court for the appointment of a receiver for Winton and Riverdale. Also, it shall proceed to initiate a criminal action through the appropriate District Attorney...." (6 CPUC 2d at p. 723.)

Pursuant to the ordering paragraph the Legal Division took action to secure the appointment of the Receiver.

Once appointed, the Receiver was confronted with the following situation. Company's books and management were in disarray. Company was serving its customers water contaminated with DBCP.

Approximately 60 days after his appointment the Receiver was able to effectuate the delivery of water to Company's customers which met the Department of Health Services' minimum contaminant levels for DBCP. The Receiver has operated Company in accordance with Commission rules and orders. He has had to respond to litigation involving Company. There has been a shortfall in Company's revenue during the receivership, but it took a period of time for the Receiver to acquire the data necessary for this application.

Before reaching the issue of who should pay the receivership expenses, we turn to Staff's argument that, if receivership expenses are considered at all, such consideration should be limited to $16,000. This was the amount set forth in one of Company's exhibits. Staff takes the position that it did not have the opportunity to evaluate amounts over $16,000. The argument is not persuasive.

Staff's argument that it did not have the opportunity to evaluate amounts overs $16,000 is not convincing. This application was filed on March 4, 1983. Company's exhibit was prepared in 1982. The Superior Court entered its order awarding costs of receivership on March 21, 1983. As indicated, the Staff filed a pleading in the Superior Court supporting the award. Having supported the award of receivership costs in the Superior Court four months prior to the hearing on this application, Staff's position lack substance.

The Receiver is an officer of the court, which sets his fees. (Pacific Bank v Madera Fruit and Land Co. (1889) 124 C 525.) The court's determination of reasonable fees is determinative. (Winslow v Harold G. Ferguson Corp .(1944) 25 C 2d 274, 282.) Furthermore, the Commission filed a pleading in the Superior Court proceeding which determined the Receiver's fees. The pleading stated in part that:

> "The Commission does not object to the fees which the receiver requests. In our view, he has documented the work which he performed, and we know from personal experience that he has been diligent and capable in performing his receivership duties." (Exhibit 3, p. 6.)

There is no question of the reasonableness of the costs of receivership in this proceeding. As noted above, the amount properly at issue is $37,127.76. We find that the rates adopted in this proceeding should not include any increment for this amount.

We begin with the proposition that public utility managers are charged with the responsibility of acting prudently and in accordance with good business judgment. Under that standard, rates fixed by this Commission are set so as to permit public utilities to fully recover those foreseeable operating expenses which are prudently incurred in the discharge of this responsibility; such rates provide an opportunity for the utility to earn a fair rate of return on its investment. However, expenses which are unreasonably incurred or the result of managerial imprudence are not chargeable to ratepayers. Pacific Tel. & Tel. Co .v. Public Utilities Commission 62 Cal.2d 634, 647 (1965). That is precisely the situation in which we find this applicant.

In this case, the company's owner had so negligently discharged his duties that we found it necessary to seek the appointment of a Receiver. We were confronted by misappropriation of funds provided through the State Safe Drinking Water Bond Law program, funds which were intended to correct deplorable service conditions. Applicant's customers have already borne the brunt of the owner's malfeasance. We decline to add to their burden.

In the adopted results of operations, estimated net earnings are $11,510 per year. We will require applicant to establish an interest-bearing account and pay $2,320.50 on a quarterly basis to that account, this amount to come from net earnings, commencing thirty days after the effective date of this decision. Every fourth quarter, accrued funds shall be disbursed to the Receiver. At the end of four years, this obligation will have been fully discharged.

Water Quality

The Staff report indicated that the water system was reviewed by the Department of Health Services in Fresno on January 21, 1983. The bacteriological and chemical results indicated no problems with water quality. The Department of Health Services prepared a list of system deficiencies which needed to be corrected. At the time of hearing, Company had completed work on correcting the deficiencies except for the following items: (1) Properly destroy Wells Nos. 1, 3, 4, 5, 7, and 8 which are abandoned. (2) Develop and maintain a cross-connection program. The Staff recommended that Company be ordered to correct these deficiencies. Company's witness testified that it did not object to this recommendation, provided it had the resources to do so. The ensuing order will require Company to formulate a plan to correct these deficiencies.

No other points require discussion. The Commission makes the following findings and conclusions.

Findings of Fact

1. Company will have gross operating revenues of $151,840 and a negative return on rate base at presently authorized rates for the test year 1983, which is unreasonably low. Company is in need of additional revenues.

2. The Staff methodology in counting the number of Company's customers is in accordance with Company's tariff.

3. It is not appropriate to include estimated revenues for units under construction for the entire test year when those units will not produce revenue for the whole year. It is reasonable to

include the following in estimated operating revenues for the year: One new store, five new single-family residences, and five new apartment residences.

4. It is reasonable to require that the inoperative meters measuring the service to Company's metered customers be repaired.

5. The sum of $59,810 is a reasonable estimate for purchased power for the test year 1983.

6. Company's estimate of $35,800 for employee labor for the test year 1983 is more reasonable than Staff's because it is based on wages necessary to attract and retain qualified personnel necessary to operate and maintain the water system.

7. The sum of $2,000 is a reasonable estimate for materials for the test year 1983.

8. Staff's estimate of $32,020 for office salaries for the test year 1983 is more reasonable than Company's because it takes into consideration duties performed by the Receiver as well as the level of administration which would be reasonable for a water utility of this size.

9. Staff's estimate of $24,000 for management salaries for the test year 1983 is more reasonable than Company's because it more accurately reflects the situation during the test year.

10. The sum of $9,000 is a reasonable estimate for office supplies for the test year 1983.

11. Staff's estimate of $18,730 for insurance during the test year 1983 is more reasonable than Company's because it excludes coverage of vehicles not being used by Company personnel.

12. Staff's estimate of $3,500 for accounting, legal, etc., expenses for the test year 1983 is more reasonable than Company's because it is based on a more complete investigation and analysis.

13. Staff's estimate of $4,700 for general expense for the test year 1983 is more reasonable than Company's because it is based on a three-year average of the appropriate account.

14. Staff's estimate of $2,550 for vehicle expense for the test year 1983 is more reasonable than Company's because it is based on a more probable estimate of vehicle use.

15. The sum of $1,700 is a reasonable estimate for office and storage space rental for the test year 1983.

16. The sum of $6,900 is a reasonable estimate for ad valorem taxes for the test year 1983.

17. The sum of $6,870 is a reasonable estimate for payroll taxes for the test year 1983.

18. The sum of $2,030 is a reasonable estimate for depreciation expense for the test year 1983.

19. The amount of $100,270 is a reasonable estimate for average depreciated rate base for the test year 1983.

20. The sum of $3,470 is a reasonable estimate for income taxes for the test year 1983.

21. A return on rate base of 11.5% is reasonable.

22. A change in Company's rate design for metered customers to one block is reasonable.

23. An attrition allowance of 4.35% to go into effect 18 months after entry of this decision is reasonable.

24. Pursuant to the orders of the Commission in Investigation of Winton Water Co. (1981) 6 CPUC 2d 715, the Legal Division took action in the Superior Court for Merced County and secured the appointment of a receiver for Company.

25. On March 21, 1983, the Superior Court entered an order awarding $37,127.76 in receivership costs. The Commission filed a pleading in the proceeding supporting the award of receivership costs.

26. The appointment of the receiver was due to the negligence and imprudence of the Company's owner.

27. A reasonable time to provide for the payment of the receivership costs is four years.

28. It is reasonable to provide that the costs of receivership be paid from net earnings.

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

30. The total amount of increase in annual revenue authorized by this decision is $76,160. The rate of return on rate base is 11.5%. No increase in the present DWR loan surcharge is authorized as the present surcharge generates sufficient revenues to amortize that loan.

31. It is reasonable to require Company to destroy abandoned wells and develop a cross-connection control program in accordance with the recommendations of the Department of Health Services.

32. Because of Company's financial condition this order should be made effective on the date of issuance.

Conclusions of Law

1. The following summary of earnings, based on the adopted quantities in Appendix B, should be adopted for the test year 1983 and used in establishing the rates authorized:

Operating Revenues	$230,590
Deductions	
Operation and Maintenance Expenses	193,810
Depreciation Expense	8,810
Taxes Other Than Income	13,770
Income Taxes	3,470
Total Deductions	219,080
Net Revenue	11,510
Average Depreciated Rate Base	100,270
Rate of Return	11.5%

2. The application should be granted. Company should be authorized to file the revised water rates set forth in Appendix A which are designed to yield $76,160 in additional revenues based on the adopted results of operations for the test year 1983.

3. Company should be ordered to fix inoperative meters.

4. Company should be ordered to properly destroy abandoned wells and develop a cross-connection control program in accordance with the recommendations of the Department of Health Services.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order Winton Water Company (Company) is authorized to file the revised rate schedules attached to this order As Appendix A. Such filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.

2. Company shall establish an interest-bearing account and pay $2,320.50 on a quarterly basis to that account, this amount to come from net earnings, commencing thirty days after the effective date of this decision. On the one-hundred twentieth day and every ninety days thereafter accrued funds with interest shall be disbursed to the Receiver. Monies shall be disbursed from that account only to pay receivership costs which have been approved by the Superior Court for Merced County.

3. Company shall fix inoperative meters within six months of the effective date of this order.

4. Within nine months after the effective date of this order, Company shall formulate a plan to properly destroy abandoned wells and develop a cross-connection control program in accordance with the recommendations of the Department of Health Services. The plan shall be submitted in writing to the Commission's Hydraulic Branch.

5. Within 45 days after the effective date of this order, Company shall file a revised tariff service area map, appropriate general rules, and sample copies of printed forms that are normally used in connection with customers' services. Such filing shall comply with General Order 96-A. The effective date of the revised tariff sheets shall be five days after the date of filing.

6. Company shall prepare and keep current the system map required by paragraph I.10.a. of General Order 103-Series. Within 90 days after the effective date of this order, Company shall file with the Commission two copies of this map.

This order is effective today.

Dated MAR 27 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

Commissioner William T. Bagley being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Joseph E. Bodovitz, Executive Director

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Winton and vicinity, Merced County.

RATES

	Per Meter Per Month		Per Month Surcharge
Service Charge:			
For 5/8 x 3/4-inch meter	$ 5.25	(I)	$ 2.70
For 3/4-inch meter	5.75		4.05
For 1-inch meter	7.65		6.75
For 1-1/2-inch meter	10.05		13.50
For 2-inch meter	13.45		21.60
For 3-inch meter	24.45		40.50
For 4-inch meter	33.45		67.50
For 6-inch meter	54.45	(I)	135.00
Quantity Rates:			
For all water, per 100 cu.ft.	0.85	(I)	

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

METERED SERVICE SURCHARGE

This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan authorized by Decision 92415.

APPENDIX A
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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Winton and vicinity, Merced County.

RATES

RATES	Per Service Connection Per Month		Monthly Surcharge
1. For a single-family residential unit including premises not exceeding 9,000 sq.ft. in area	$ 13.00	(I)	$ 2.70
a. For each additional single-family residential unit on the same premises and served from the same service connection	8.85		2.70
b. For each 100 sq.ft. of premises in excess of 9,000 sq.ft.	0.517		.011
2. For each commercial launderette, per washing machine	5.45		1.10
3. For each store, market, shop or service station	13.00		2.70
4. For each hotel, apartment or motel, including first unit, office and utility room	13.00		2.70
a. For each additional unit	8.85	(I)	2.70

SPECIAL CONDITIONS

1. The above flat rates apply to a residential 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.

FLAT RATE SERVICE SURCHARGE

This surcharge is in addition to the regular charge per month. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of California Safe Drinking Water Bond Act loan authorized by Decision 92415.

(May be filed 18 months from the effective date of the decision in this proceeding)

APPENDIX A
Page 3

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Winton and vicinity, Merced County.

RATES

	Per Meter Per Month		Per Month Surcharge
Service Charge:			
For 5/8 x 3/4-inch meter	$ 5.27	(I)	$ 2.70
For 3/4-inch meter	5.77		4.05
For 1-inch meter	7.68		6.75
For 1-1/2-inch meter	10.09		13.50
For 2-inch meter	13.50		21.60
For 3-inch meter	24.54		40.50
For 4-inch meter	33.57		67.50
For 6-inch meter	54.65	(I)	135.00
Quantity Rates:			
For all water, per 100 cu.ft.	0.85	(I)	

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

METERED SERVICE SURCHARGE

This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan authorized by Decision 92415.

(May be filed 18 months from the effective date of the decision in this proceeding)

APPENDIX A
Page 4
Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Winton and vicinity, Merced County.

RATES

	Per Service Connection Per Month		Monthly Surcharge
1. For a single-family residential unit including premises not exceeding 9,000 sq.ft. in area	$ 13.05	(I)	$ 2.70
a. For each additional single-family residential unit on the same premises and served from the same service connection	8.88		2.70
b. For each 100 sq.ft. of premises in excess of 9,000 sq.ft.	0.519		.011
2. For each commercial launderette, per washing machine	5.47		1.10
3. For each store, market, shop or service station	13.05		2.70
4. For each hotel, apartment or motel, including first unit, office and utility room	13.05		2.70
a. For each additional unit	8.85	(I)	2.70

SPECIAL CONDITIONS

1. The above flat rates apply to a residential 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.

FLAT RATE SERVICE SURCHARGE

This surcharge is in addition to the regular charge per month. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of California Safe Drinking Water Bond Act loan authorized by Decision 92415.

(END OF APPENDIX A)

APPENDIX B
Page 1

ADOPTED QUANTITIES

Winton Water Company

Federal Tax Rates: 15%

State Tax Rate: 9.6%

	Test Year 1983	
Offset Items		
1. Purchased Power:		
Electric:		
Pacific Gas and Electric Company		
Total Cost	$ 59,810	
KWh	333,720,	314,600
Eff. Sch. Date	4/6/83	
$/KWh Used	0.06388,	0.10449
2. Payroll and Employee Benefits:		
Operation and Maintenance	$ 35,800	
Administrative & General	56,020	
Total	91,820	
Payroll Taxes	6,870	
3. Ad Valorem Taxes:		
Ad Valorem Taxes	$ 6,900	

Metered Water Sales Used to Design Rates:

	Range - Ccf	Usage - Ccf 1983
Block 1	0 - 5	120
Block 2	> 5	1870

ADOPTED SERVICES BY METER SIZE
(all classes)

Meter Size	1983	
5/8" x 3/4	-	services
3/4"	-	
1"	-	
1-1/2"	-	
2"	1	
3"	-	
4"	-	
6"	1	
Total	2	

FLAT RATE SERVICES

	Number 1983
Single - Family residential unit	1,189
Commercial Launderette	1 1/
Store	37
Apartment	59
Total	1,286
Additional single-family residential unit on the same premises	62
Additional apartment unit	246
Square feetof premises in excess of 9,000 sq.ft.	162,646

1/ includes 37 washing machines

ADOPTED TAX CALCULATIONS

		@ 1983 Adopted Rates	
		CCFT	FIT
1.	Operating Revenues 1/	$230,590	$230,590
	Deductions		
2.	O&M Expenses	193,810	193,810
3.	Taxes Other Than Income	13,770	13,770
4.	Tax Depreciation	8,030	8,030
5.	Subtotal Deductions CCFT	215,610	
6.	Taxable Income for CCFT	14,980	
7.	CCFT	1,440	1,440
8.	Subtotal Deductions FIT		217,050
9.	Taxable Income for FIT		13,540
10.	FIT		2,030
	Total FIT		2,030

1/ Do not include receiver surcharge.

(END OF APPENDIX B)