

ORIGINAL

Decision No. 37702

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ARTHUR W. NICHOLLS, an individual, for authority to adjust the flat rates, establish measured rates, and revise rules and regulations at Dutch Flat, Placer County, California.

Application No. 25920

Arthur W. Nicholls, in propria persona.

CRAEMER, Commissioner:

O P I N I O N

Arthur W. Nicholls, applicant herein, doing business as Dutch Flat Water Works, and engaged in distributing water for domestic and commercial purposes in the unincorporated town of Dutch Flat, Placer County, asks for authority to adjust the monthly flat rates at present in effect, provide for seasonal charges, establish a schedule of measured rates, and revise the rules and regulations.

Applicant asks that a flat rate schedule be established with a minimum rate of \$1.25 per month per dwelling, and additional charges for use of other facilities on the premises. The detail charges, however, differ in classification from the present rates. The schedule requested for general metered service has a minimum charge of \$1.50 per meter per month, including the use of 500 cubic feet of water. A seasonal rate is also asked of \$15.00 per year for flat rate service and \$18.00 per year for metered service.

The water supply is obtained by purchase from the Pacific Gas and Electric Company at 16¢ per miner's inch day,<sup>(1)</sup> and is delivered to Applicant's system from its Cedar Creek Canal. The water is received in an 80,000-gallon earthen reservoir,

(1) A miner's inch on the Pacific Gas and Electric Company's system is one-fortieth (1/40th) of a cubic foot of water per second or 2,160 cubic feet per day.

leased by Applicant, and delivered into a nearby 65,000-gallon storage tank. From this tank the water is conveyed by gravity through 4,560 feet of iron and steel pipe, varying from 2½ to 15 inches in diameter, through the business district of Dutch Flat. This pipe line and the twenty-seven fire hydrants attached to it are owned by the town. The pipe line was installed primarily for fire protection and its costs were met by popular subscription from local residents. By an agreement with the town, Applicant has the use of these mains for conveying water to his pipe lines and also for delivering water to consumers that can be served from it. In return the town obtains free hydrant rental and water service for fire protection purposes.

Applicant's distribution facilities, which are connected to the town's fire mains, consist of 2,966 feet of steel pipe, varying from 1 to 2½ inches in diameter. There are thirty-three full year and fifty-one part-time consumers being served from the system, all on a flat rate basis.

The rates at present in effect were established by the Commission in its Decision No. 14922, dated May 14, 1925, and start with a minimum charge of \$1.15 per month with additional charges for the use of other facilities.

Mr. Nicholls testified that the existing schedule of flat rates does not provide sufficient charges to cover all the service furnished, particularly garden irrigation service. He asks that the schedule be modernized in order that the charges may be distributed more equitably among his consumer. He also asks for the establishment of measured rates in order to control wasteful and extravagant use of water and to provide a basis of charges for service that cannot be covered adequately by flat rates. In connection with the seasonal charges, Mr. Nicholls testified that the town is gradually changing into a summer resort community as over half of the property owners only reside in their premises during the summer months. Mr. Nicholls asks that a seasonal rate be established that will be applicable only to the part-time consumer in order that this class of user may contribute a proportionate share of the revenue to meet the expense of operating the system throughout the year.

Mr. Nicholls further testified that his investment in the system, as of October 1, 1944, totaled \$4,127, but it would be increased by approximately \$500 when he installed 25 meters. The operating revenues for the year 1943 amounted to \$1,365, and the expenses for the same period were \$1,127, exclusive of an allowance for depreciation. The operating expenses included some small expenditures for repair to the town's fire mains but the practice has been followed in the past for the town to provide the funds for the maintenance of these pipe lines.

Mr. V. R. Muth, one of the Commission's engineers, submitted a report containing an appraisal of the water system, an analysis of its accounts and a study of its operations. The report shows the estimated original cost of the facilities owned by the utility, as of July 25, 1944, to be \$4,170, with a depreciation annuity of \$39 computed by the 5% sinking fund method. The proposed installation of 25 meters, when completed, would increase the invested capital by \$500, or a total of \$4,670, and increase the annuity to \$46. The annual revenues from 1944 operations were \$1,456, and the annual maintenance and operating expense, including an allowance for depreciation for the present and immediate future under the present rate schedule, was estimated to average \$1,299. The resulting net revenue of \$157 produces a return of 3.76% on the investment of \$4,170. On the basis of the requested rates, the operating revenues were estimated as \$1,787, and the expenses as \$1,351, leaving a net revenue of \$436, which would produce a return of 9.34% on the investment of \$4,670.

It is concluded from the evidence submitted herein that the existing schedule should be made more adaptable to present conditions, that a measured rate should be established to conserve water and that a seasonal rate be established to cover the service to summer residents. It is apparent that the requested rate schedule would produce excessive earnings and that it should be modified to provide only a reasonable return on the investment. A schedule of rates is set out in the following Order which will result in a slight increase in charges to some of the consumers and a decrease to others and will distribute the charges more equitably

among all of the consumers. It is estimated that these adjusted rates will produce a rate of return of less than 6% on the investment of \$4,670. Such rates may be made effective as of May 1, 1945, by the Applicant only if he immediately serves upon the Office of Price Administration, Washington, D.C., notice of intention to increase his rates as provided by this opinion and order. While such increases are not substantial, the aforesaid Office has a statutory right of intervention. Hence, a copy of the notice will be required to be filed with this Commission. Applicant will also be required to file revised rules and regulations governing the water service furnished his consumers.

The following form of Order is recommended:

O R D E R

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted, and the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Arthur W. Nicholls, applicant herein, operating a public utility water system under the fictitious firm name and style of Dutch Flat Water Works, in the County of Placer, and supplying water to the lower portion of the unincorporated town of Dutch Flat, are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for the service rendered and, basing its Order upon the foregoing findings of fact and upon statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED:

1. That Applicant be and he is hereby authorized to publish and make effective as of May 1, 1945, on fifteen (15) days' notice to the Commission and to the public, the rates set forth in Exhibit "A" attached hereto, provided that notice of intention to publish and make effective such rates is forwarded to the

Office of Price Administration, and that a copy of such notice is filed with this Commission on or before March 10, 1945.

2. That Applicant be and he is hereby directed as follows:

(a) Subject to having notified the Office of Price Administration as provided in Paragraph 1 of this Order, to file with the Commission, in quadruplicate, the rates provided in Paragraph 2 hereof, said filing to be made on or before April 16, 1945.

(b) Within sixty (60) days from the date of this Order, to submit to this Commission for its approval four sets of revised rules and regulations governing relations with his consumers, each set of which shall contain a suitable map or sketch drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of his authorized service area, and the location thereof with reference to the surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

(c) Within sixty (60) days from the date of this Order to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the various tracts in the territory and their location with reference to sources of supply and surrounding territory. Such map shall show the source and date thereof and include data sufficient to determine clearly and definitely the location of the various properties comprising the service area.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

The effective date of this Order shall be April 14, 1945.

Dated at San Francisco, California, this 6<sup>th</sup> day of March, 1945.

L. Harold Anderson  
Justus F. Casper  
Richard K. Kuhn  
Franklin D. Clark  
Wesley Russell  
 Commissioners.

EXHIBIT A, Page 1

Schedule No. 1

GENERAL FLAT RATES

Applicability:

Applicable to all water service rendered on a flat rate basis to permanent residents.

Territory:

In and in the vicinity of the town of Dutch Flat, Placer County.

Rates:

Per Month

|   |             |
|---|-------------|
| Residence or cabin of three rooms or less . . . . .   | \$1.15      |
| For each additional room . . . . .  | .10         |
| For each flush toilet . . . . .   | .15         |
| For each bathtub . . . . .  | .15         |
| For each private barn, per head of stock . . . . .  | .25         |
| Sprinkling or irrigation of lawns, shrubbery,<br>gardens, etc., payable for the six-month<br>period, May to October, inclusive: |             |
| First 2,000 square feet, per 100 square feet . . . . .  | .05         |
| Over 2,000 square feet, per 100 square feet . . . . .   | .03         |
| For small stores or business places . . . . .   | 1.50 and up |
| Additional for each flush toilet or bath . . . . .  | .25         |
| For lodge rooms, assembly halls with kitchen,<br>flush toilets, etc. . . . .  | 1.50        |
| Public school . . . . .   | 3.00        |

EXHIBIT A, Page 2

Schedule No. 2

FLAT RATES FOR NON-PERMANENT RESIDENTS

Applicability:

Applicable to all water service rendered on a flat rate basis to non-permanent residents.

Territory:

In and in the vicinity of the town of Dutch Flat, Placer County.

Rates:

Minimum annual charges, payable in advance, for which the consumer is entitled to water service for a period of any six consecutive months in the calendar year, providing the monthly charge for that service does not exceed \$1.50 when computed at the flat rate schedule for permanent residents. . . . . \$9.00

For use of water on premises for which the flat rate charge exceeds \$1.50 per month when computed at the schedule for permanent residents, the minimum annual charge will entitle the consumer to the number of months service that the \$9.00 will purchase at the computed rate for water service furnished that property.

For use of water during other months, the flat rate schedule for permanent consumers shall apply.

EXHIBIT A, Page 3

Schedule No. 3

METER RATES FOR PERMANENT RESIDENTS

Applicability:

Applicable to all water service rendered on a metered basis to permanent residents. The application of this rate instead of the flat rate is optional on the part of the utility, or upon application of the customer.

Territory:

In and in the vicinity of the town of Dutch Flat, Placer County.

Rates:

Per Meter  
Per Month

Monthly Quantity Charge:

|   |        |
|---|--------|
| First 800 cubic feet or less              | \$1.50 |
| Next 1,200 cubic feet, per 100 cubic feet | .10    |
| Next 3,000 cubic feet, per 100 cubic feet | .075   |
| Over 5,000 cubic feet, per 100 cubic feet | .05    |

Minimum Monthly Charge:

|                      |        |
|----------------------|--------|
| For 5/8 inch meter   | \$1.50 |
| For 3/4 inch meter   | 2.00   |
| For 1 inch meter     | 3.00   |
| For 1 1/2 inch meter | 4.00   |
| For 2 inch meter     | 6.00   |

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



EXHIBIT A, Page 4

Schedule No. 4

METER RATES FOR NON-PERMANENT RESIDENTS

Applicability:

Applicable to all water service rendered on a metered basis to non-permanent residents. The application of this rate instead of the flat rate is optional on the part of the utility, or upon application of the customer.

Territory:

In and in the vicinity of the town of Dutch Flat, Placer County.

Rates:

Minimum Annual Charge:

Payable in advance, which entitles the consumer to 800 cubic feet of water each month from May to October, inclusive, and 100 cubic feet of water each month for each of the remaining months of the year . . . . . \$9.00

When water is used in excess of the monthly quantities purchasable under the foregoing "Minimum Annual Charge," the following rate schedule will apply:

FOR THE PERIOD FROM MAY 1st TO OCTOBER 31st

|       |  |        |
|-------|--|--------|
| First | 800 cubic feet included in annual charge.      |        |
| Next  | 1,200 cubic feet, per 100 cubic feet . . . . . | \$0.10 |
| Next  | 3,000 cubic feet, per 100 cubic feet . . . . . | .075   |
| Over  | 5,000 cubic feet, per 100 cubic feet . . . . . | .05    |

FOR THE MONTHS OF JANUARY, FEBRUARY, MARCH, APRIL, NOVEMBER AND DECEMBER

|       |  |          |
|-------|--|----------|
| First | 100 cubic feet included in annual charge.      |          |
| Next  | 700 cubic feet, per 100 cubic feet . . . . .   | \$0.1875 |
| Next  | 1,200 cubic feet, per 100 cubic feet . . . . . | .10      |
| Next  | 3,000 cubic feet, per 100 cubic feet . . . . . | .075     |
| Over  | 5,000 cubic feet, per 100 cubic feet . . . . . | .05      |