

Decision No. 41671**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Crescent City Water Company to Increase Rates.
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Application No. 28749

Otto E. Never, John P. Purdum and
Lyle E. Griffin, for Applicant;
S. F. Smith, H. D. Manning, and
F. T. Ellis for themselves;
Mrs. A. P. Olson for herself and
the Del Norte Triplicate.

O P I N I O N

In this application Crescent City Water Company asks that it be granted authorization by this Commission to increase certain rates and charges for water service rendered by it in the city of Crescent City and environs in Del Norte County. The application alleges that the present rates do not produce sufficient income to provide a reasonable return on the fair value of applicant's property, and sets forth proposed rates and charges which will, in its opinion, yield a reasonable return.

A public hearing was held on this application in Crescent City before Examiner Ross.

This water property was acquired by applicant on December 24, 1945 from Public Utilities California Corporation, as authorized by this Commission's Decision No. 38507 (Application No. 27124) dated December 14, 1945. As of the end of 1947, this system provided water service to 830 customers (585 metered and 245 flat-rate) and to 69 hydrants for fire protection. There are approximately 94,000 feet of mains varying in size from 3/4-inch to eight inches in diameter. The area presently served comprises about 800 acres, extending somewhat

beyond the city limits of Crescent City. The current source of water supply consists of a maximum of one-half a cubic foot per second from an unnamed tributary to Elk Creek, rising from nearby springs and collected in two sumps, and one well 20 feet in diameter and 36 feet deep. The stream supply is lifted to an elevated 60,000-gallon tank by means of an automatically-controlled 300 gallon-per-minute pump, whereas the well is drawn upon by a manually-controlled pump of 175 gallon-per-minute capacity.

Relative to service, applicant introduced into the record at the hearing seven signed letters from various water consumers commending the service currently rendered by the utility, and particularly commenting upon the improvements in service enjoyed during the past year or so. Complaints were registered by two customers, one with respect to both inadequacy of supply or pressure at his premises and discoloration of water during the spring season, and the other relative only to water discoloration. There were no complaints as to potability of the water.

The rates presently in effect were established at various dates. The flat rates for private customers have been charged since 1920. The flat rate for municipal service (fire hydrants) was put in during 1932. The meter rates became effective in 1936. The changes in meter rates which applicant proposes represent a five-cent-per-1,000 cubic feet increase in all blocks of the present schedule, together with a 25-cent-per-month increase in the various existing minimum charges dependent upon meter size. At the hearing, applicant requested that its application be amended to include a monthly minimum charge of \$7.50 for two-inch meters, which size meter is not presently provided for. Applicant's present flat rates provide for 44 different classifications and sub-classifications of use, a number of which specify identical monthly charges. The proposed flat rates

contained in the application cover the same 44 classifications and reflect increases ranging from zero to 75 cents per month, averaging about 25 cents, for other than municipal (fire hydrant) service. The proposal for the latter would result in an increase of \$1 per hydrant (from \$2 to \$3).

Applicant testified to several items of improvement on the water system which, it was indicated, were scheduled for the near future. Within a few months, work was to start on reconditioning the existing well and repairing the 60,000-gallon elevated storage tank. An additional well had just been leased, which, when cleaned, would decrease the utility's dependence upon stream flow during periods of high water when such water tended to be discolored. Further, relative to discoloration, it was testified that a strip from four to six feet wide would be cleared of leaves and underbrush in the early fall along each bank of the source of water supply stream from the springs to the sump, for the purpose of minimizing discoloration during the spring season. It was also testified that work is scheduled to start in July on replacing several thousand feet of existing mains with new pipe, some of which will be of larger diameter than the original main.

Estimates of the gross revenue to be derived from the rates proposed by applicant were presented both by applicant and by the Commission's staff, and were in very close agreement at within a few hundred dollars of \$31,000 for the year 1948, reflecting an increase over the present rates of about \$5,000 or 19%. Expenses estimated for 1948 did not agree as closely in total. The following tabulation indicates the expense estimates presented at the hearing, together with the expenses which have been adopted after consideration of all the pertinent evidence:

Classification	Estimated		
	By Applicant	By Cal. P. U. C. Staff	Adopted
Source of Water Supply Exp.	\$ 365	\$ 140	\$ 250
Pumping Expense	3,875	3,740	3,800
Purification Expense	1,250	980	1,100
Trans. & Distrib. Exp.	600	610	610
Repairs to Trans. & Distr. Sys.	3,675	2,074	2,800
Commercial Expense	3,140	3,055	3,100
General Expense	6,650	5,560	5,650
Subtotal	19,555	16,169	17,310
Taxes	3,401	4,037	3,652
Depreciation	1,624	1,403	1,403
Uncollectibles	-	50	50
Total	24,580	21,659	22,415

The largest single item of difference in expenses is the inclusion by applicant of about \$1,800 of additional pay roll for two existing employees. This is occasioned by a ruling of the United States Department of Labor that, because of an error on the part of applicant in failing to segregate overtime payments from regular basic 40-hour week wages, in reports on these two employees to the Department, for the future the latter wages are to be computed at the total of basic and overtime wages previously paid. However, only about 60% of the salaries of these two employees went to operating expense in 1947, the remaining 40% having gone into capital, and for this reason 60% of the \$1,800, or about \$1,080, has been allowed as operating expense and spread to the appropriate expense accounts. As a result of this additional pay roll, corporation franchise and income taxes would be reduced about \$385 below the amount submitted by the Commission's staff. Source of water supply expense was allowed at a figure higher than the amount included in the staff's testimony for the reason that the staff had not been informed on the plans of applicant to secure a new well. The remaining significant difference, the depreciation annuity on the 5% sinking fund basis, arises primarily from the difference in depreciation lives used by applicant and by the Commission's staff. The latter is considered more nearly in accordance with experience in this property.

Applicant contends that its rate base (undepreciated) for 1948 will be \$120,852, including working cash at \$1,629 and additions for the year 1948 of \$9,000. The Commission's staff presented a rate base (undepreciated) of \$115,378, including working cash at \$850 and additions of \$9,190. In view of the adoption of expenses at variance with those introduced by the staff for the reasons already stated, it is deemed appropriate to modify the working cash allowance, yielding an undepreciated rate base of \$115,528. Using the gross revenue of \$31,000 and the operating expenses, including taxes and depreciation, of \$22,415 as adopted, a net operating revenue of \$8,585 is obtained. This is a yield of 7.4% on the adjusted rate base submitted by the staff.

It was forecast by both applicant and the Commission's staff that the company will be obliged to make rather heavy capital additions within the next few years, both to accommodate new business and to replace certain existing over-age facilities. This might be urged as a justification of the rather high rate of return which the proposed rates would yield on the 1948 rate base; however, the rates proposed by applicant, which would increase gross revenue by about \$5,000 or 19%, appear to be excessive. The Order will provide for rates that will result in an increase of about \$3,200 or 12% in gross revenue. These latter rates will yield 6.4% on the Commission's adjusted rate base, which is not considered excessive in view of imminent major increases in plant investment.

O R D E R

Application having been filed with the Public Utilities Commission, public hearing having been held thereon, the matter having been duly submitted and the Commission being now fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates as now charged by Crescent City Water Company 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 services rendered, and based upon the foregoing,

IT IS HEREBY ORDERED that Crescent City Water Company, a corporation, be and it is hereby authorized and directed to file within twenty (20) days from the effective date of this Order the following schedule of rates to be charged for all water service rendered on and after June 15, 1948:

Schedule 1

METER RATES

APPLICABILITY

Applicable for all measured water service.

TERRITORY

In the city of Crescent City, Del Norte County, and territory immediately contiguous thereto.

RATES

Minimum Monthly Charges:

Per Meter
Per Month

For 5/8 x 3/4 inch meter.....	\$1.50
For 3/4 inch meter.....	2.00
For 1 inch meter.....	2.75
For 1 1/2 inch meter.....	5.00
For 2 inch meter.....	7.50

The minimum monthly charge will entitle the consumer to that quantity of water which the monthly minimum charge will purchase at the monthly quantity rates.

Monthly Quantity Charges:

First 500 cu.ft. or less.....	\$1.50
Next 1,000 cu.ft., per 100 cu.ft.....	.25
Next 2,500 cu.ft., per 100 cu.ft.....	.20
All over 4,000 cu.ft., per 100 cu.ft.....	.15

Schedule 2

FLAT RATES

APPLICABILITY

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

TERRITORY

In the city of Crescent City, Del Norte County, and territory immediately contiguous thereto.

RATES

Per Month

For small residences without bath and using no water for irrigation..... \$1.50

For single family residence to include garden use for an area not to exceed 1,500 square feet 2.00

For area irrigated in addition to that included above during the months May to October, inclusive, per 100 square feet..... .05

For each additional house or apartment served through a single service..... 1.50

For commercial or industrial purposes, according to water use, to be determined by meter or otherwise and not to exceed the meter rates as herein established.

Private fire hydrants or standpipes to be used for fire purposes only:

For 2 inch connection	2.25
For 1½ inch connection	1.75
For 1 inch connection	1.50
For ¾ inch connection	1.25

Municipal fire hydrants

To include 67 hydrants on mains four inches in diameter and larger, a minimum charge of \$185 per month.

For each additional hydrant on mains 4 inches in diameter and larger..... 3.00

For each additional hydrant on mains 2½ to 3 inches in diameter..... 2.50

For each additional hydrant on mains 1½ to 2 inches in diameter..... 2.00

For all other purposes the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco California, this 27th day of May, 1948.

R. Z. [Signature]

[Signature]

[Signature]
Commissioners.