

Decision No. 41672

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
HARRY C. WILSON and CLARA NIGG
 copartners doing business as SUMMER
 HOME PARK WATER CO., a public utility,
 for authority to increase rates.

ORIGINAL

Application No. 28913

L. G. Scott and Donald M. Scott by
 Donald M. Scott for Applicants.

O P I N I O N

In this application Harry C. Wilson and Clara Nigg, copartners doing business as Summer Home Park Water Company, ask that they be granted authorization by this Commission to increase certain rates and charges for water service rendered by them in the subdivision known as Summer Home Park on the Russian River near Hilton in Sonoma County. The application alleges that they are operating at a loss without making any allowance for depreciation. It sets forth certain increases in flat rate charges and increases in minimum charges for metered service which applicants desire to have placed in effect. Also, the Commission is asked to provide for such increases in quantity rates as may be deemed reasonable.

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

This water property was acquired by Harry C. Wilson and Millard C. Boyd from J. M. Eva and Florence V. Eva on October 29, 1946, by Decision No. 39446 (Application No. 27847) dated October 1, 1946 and subsequently, by Decision No. 41072 (Application No. 28876) dated December 22, 1947, Millard C. Boyd transferred his interest to Clara Nigg.

At the close of 1947 this system supplied water service to 105 customers, 42 of which received metered service, through about 14,000 feet of mains varying in size from one to three inches in diameter. The source of water supply consists of springs, located above the subdivision, which supply water during the winter months when the Russian River is muddy. During the summer when the spring flow is very small the river provides the greatest part of the water. This is pumped automatically from a well on the bank to three tanks aggregating 38,700 gallons capacity which are located at various points above the service area. The present rates were established in 1933.

No complaints were registered at the hearing relative to service, but there was read into the record the letter of one customer who objected to the requested rate increase being granted. As an index of future capital outlays, applicants testified that there had been three breaks in the mains during the past winter attributable to age. This indicates the imminence of replacement which has not been provided for adequately through depreciation reserve accumulations. Further, with increasing demands for water during the winter months, resulting from increased year-round occupancy in their service territory, they felt that an additional pump would be required to draw water from a spring 50 feet below the storage tanks together with a new 10,000 or 12,000-gallon reservoir. It was also testified that it would be desirable to install quite a few more meters to discourage wasteful use of water.

Applicants indicated their general agreement with the presentation of the Commission's staff relative to revenue, expense, and fixed capital, and offered no conflicting testimony. Accordingly, the staff's figures will be adopted for the purposes of this order. Applicants have requested an increase of \$3 in their annual flat rate charge, as well as in their annual minimum charge on metered service, both of

which are now identical at \$15 per customer. The present and proposed annual minimum charge for metered service includes a monthly usage of 400 cubic feet. The staff estimated that the proposed increase of \$3 per customer per year would yield an additional \$324 per year in revenue for the year 1948 as against the present rates applied to the same period. After deducting expenses as estimated for the year 1948, including taxes and depreciation, a net operating revenue of \$119 was obtained yielding a net return of 1.18% on the staff's rate base of \$12,678. This rate base was arrived at by an appraisal of the properties prepared by the Commission's staff as of February 10, 1948. In commenting on the staff's net operating revenue of \$119, applicants in their brief contend that this figure does not provide for "amortization of contemplated capital improvements"; however, it does properly reflect depreciation expense for the estimated year 1948, which was consistent with the period for which the other expense and revenue estimates were made.

Applicants further requested that the Commission provide for such increases in quantity rates charged for metered service in excess of 400 cubic feet per month, (the latter being included in the minimum charges) as might be deemed reasonable. The company having kept essentially no records on water usage by metered customers, it is impossible to determine with any exactitude the probable effect upon revenue of changes in commodity rates; however, testimony was given indicating that very few customers use in excess of 400 cubic feet per month, and those only during one or two summer months. The order will provide for changes in the present meter rate which are considered reasonable and to the extent that they will increase metered revenue, the previously indicated net return of 1.18% for the estimated year 1948 will be increased.

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 Harry C. Wilson and Clara Nigg, doing business as Summer Home Park 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 Harry C. Wilson and Clara Nigg be and they are 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 July 1, 1948:

Schedule No. 1

METER RATES

APPLICABILITY

Applicable for all measured water service.

TERRITORY

In the subdivision known as Summer Home Park near Hilton, Sonoma County and territory immediately contiguous thereto.

RATES

Minimum Charge:	<u>Per Year</u>
Annual minimum charge, payable in advance, to entitle the consumer to 400 cubic feet of water per month through a 5/8 x 3/4-inch meter.	\$18.00
Quantity Charges:	<u>Per Meter Per Month</u>
First 400 cu. ft., or less	\$ 1.50
Next 1,000 cu. ft., per 100 cu. ft.28
Over 1,400 cu. ft., per 100 cu. ft.20

Schedule No. 2

FLAT RATE

APPLICABILITY

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

TERRITORY

In the subdivision known as Summer Home Park near Hilton, Sonoma County and territory immediately contiguous thereto.

RATES

Annual charge payable in advance Per Year
\$18

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.

A. J. [Signature]

[Signature]

[Signature]
Commissioners.