

ORIGINALDecision No. 41861

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of
Albert N. Tresch, doing business as
Novato Water Company, for an order of
the Public Utilities Commission author-
izing an increase of Rates.

Application No. 29002

Albert H. Tresch, for applicant;
A. Olson, for himself.

O P I N I O N

Albert H. Tresch, doing business as Novato Water Company, and engaged in distributing and selling water for domestic and commercial purposes in and in the vicinity of the unincorporated towns of Novato and Black Point, Marin County, asks the Commission for authority to increase the rates for the service rendered.

Applicant alleges that the rates in effect do not produce sufficient revenue to meet the increased operating costs and provide a reasonable return on the investment in the water properties. The rates requested are estimated to produce a 35% increase in the revenues. The meter rate asked to be made effective for Novato and vicinity, provides for a minimum monthly charge of \$2 with an allowance of 400 cubic feet of water. The charges for excess use are reduced through three blocks to 20 cents per 100 cubic feet for all use over 4,000 cubic feet. A basic monthly charge of \$2 is asked for flat rate service. The requested meter rate for the Black Point section provides for a minimum annual charge of \$24, and entitles the customer to 300 cubic feet of water per month. For additional use, the charges are reduced through two blocks to 20 cents per 100 cubic feet for quantities over 4,000 cubic feet.

A public hearing in this proceeding was held in Novato before Examiner Stava.

Water for this system is obtained by pumping from ten shallow wells that vary from 28 to 53 feet in depth. Storage for the Novato area consists of a 90,000-gallon concrete reservoir, and for the Black Point territory, located four miles easterly from Novato, two 25,000-gallon redwood tanks are provided. The Canyon Road area near Novato has a 26,000-gallon concrete reservoir. The distribution and transmission systems consist of 91,440 feet of pipe that vary from six inches to one inch in diameter. There are 565 customers being served, of which 535 are supplied on a metered basis and the balance at flat rates. Black point is largely a summer resident community. The system serving this area is interconnected to the Novato system by a four-inch main and service is maintained with the aid of a booster pump installed midway on the pipe line. There are 140 customers being served in this section.

Mr. W. B. Wraight, applicant's accountant, testified that the fixed capital, as shown by the books, as of December 31, 1947, totaled \$94,931, and that the accrued depreciation computed by the straight line method was recorded as \$36,944. The operating revenues for the year were shown to be \$16,456, and the operating expenses as \$12,417, which included \$2,080 for depreciation allowance and was computed by the 5% sinking fund method. The results of operations for the year showed a net revenue of \$4,039 or a return of 4.27% on the fixed capital of \$94,931.

Applicant testified that, owing to the growth of the territory, it is necessary to obtain additional supplies of water, and studies are now being made as to the adequacy of spring sources located on Trumbell Ranch. Water delivered to the system from this source will require a mile and a quarter of six-inch connecting main. Additional storage is also required and, although a 42,500-gallon steel tank was added to the system during 1947, Mr. Tresch stated that a one-half million-gallon reservoir was necessary and he intends

to provide it when he can finance the construction. He testified that the capital expenditures made during 1948 as of June 25th totaled \$6,656 and he estimated it would be necessary to expend approximately an additional \$10,000 during the remainder of the year in order to meet the increasing demands for service.

Mr. Tresch also testified that future annual maintenance and operating expenses would be increased approximately \$5,300 owing to having acquired the system from J. W. Cain, and having to operate it as an independent unit. Heretofore the water property had been operated by Mr. Cain in connection with a public utility telephone system and a privately-owned electrical business. All of the enterprises shared a common office, office help and supplies, and a shop. The joint expenses had been allocated to the water and telephone properties on a revenue basis and each had been charged with 35% of these expenses. Hereafter Mr. Tresch will have to provide his own office, shop, and office assistant.

Mr. Verner R. Muth, one of the Commission's engineers, submitted a report which showed the fixed capital, based on an appraisal of the system, to be \$121,281, and a depreciation annuity of \$1,477 computed by the sinking fund method. After deducting \$11,710 in customers' advances and adding \$3,170 for working cash and materials and supplies he developed a rate base of \$112,740. The report showed the revenues for the year 1947 produced from present rates and estimated for the same period at requested rates, together with the operating expenses were shown for the year as recorded and adjusted and estimated for independent future operation. These figures, together with results of operation under each basis, are set out in the following tabulation:

	<u>Present Rates and Operation</u>	<u>Requested Rates and Estimated Future Operations</u>
Operating Revenues	\$ 16,360	\$ 22,200
Operating Expenses	12,030	16,400
Net Operating Revenues	<u>4,330</u>	<u>5,800</u>
 Rate Base	 \$ 112,740	 \$ 112,740
 Rate of Return	 3.8%	 5.1%

No one appeared to protest an increase in rates or to the proposed rate schedule. Mr. Olson of Black Point, asked that a service charge form of rate be established in order to reduce the cost of service to the users of small quantities of water. While this form of rate is probably the fairest one for allocating utility charges for service among the customers yet it has not proved very successful on small utility systems owing to the necessity of requiring a comparatively high service charge.

It is apparent from the evidence presented in this proceeding that applicant is entitled to an increase in rates to maintain adequate service and that the proposed rates will not produce an unreasonable return on the investment in the system. Under the circumstances, the rates requested in the application will be established in the following Order:

O R D E R

Application as entitled above having been filed with the Public Utilities Commission of the State of California, 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 Albert H. Tresch, doing business as the Novato Water Company, for water delivered to his customers in and about the unincorporated communities of Novato and Black Point, Marin County, are unjust and unreasonable in so far as they differ from the rates herein established; that the rates herein established are just and reasonable

rates to be charged for the service to be rendered; that the increase in rates authorized by this decision is hereby found to be justified; and, basing its Order upon the foregoing findings of fact and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Albert H. Tresch, doing business as Novato Water Company, be and he is hereby authorized to file in quadruplicate with the Public Utilities Commission of the State of California, in conformity with the Commission's General Order No. 96, within twenty (20) days from the effective date of this Order, the following schedule of rates to be charged for all water service rendered to his customers, said rates to become effective for all filings based on the first regular meter readings made on and after the first day of August, 1944:

Schedule No. 1

GENERAL METERED RATES

APPLICABILITY

Applicable to all water service rendered on a metered basis.

TERRITORY

In and in the vicinity of the town of Novato, Marin County.

RATES

Monthly Minimum Charges:	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter.....	\$ 2.00
For 3/4-inch meter.....	2.25
For 1-inch meter.....	3.00
For 1 1/2-inch meter.....	5.00
For 2-inch meter.....	7.50
For 3-inch meter.....	15.00
For 4-inch meter.....	25.00

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

Schedule No. 1

GENERAL METERED RATES (Continued)

RATES (Cont.)

Monthly Quantity Rate:		<u>Per Meter Per Month</u>
First	400 cu. ft., or less.....	\$ 2.00
Next	1,600 cu. ft., per 100 cu. ft.....	.28
Next	2,000 cu. ft., per 100 cu. ft.....	.24
Over	4,000 cu. ft., per 100 cu. ft.....	.20

SPECIAL CONDITIONS

A meter may be installed on any service at the option of the customer or of the utility.

Schedule No. 2

FLAT RATES

APPLICABILITY

For all water service rendered on a flat rate basis.

TERRITORY

In and in the vicinity of the town of Novato, Marin County.

RATES

	<u>Per Month</u>
1. Residences.....	\$ 2.00
2. Stores.....	1.50
3. Additional for each bathtub.....	.20
4. Additional for each toilet.....	.20

Schedule No. 3

RATES FOR PUBLIC USE

APPLICABILITY

Applicable to fire protection service and for public use.

TERRITORY

In and in the vicinity of the towns of Novato and Black Point, Marin County.

Schedule No. 3

RATES FOR PUBLIC USE (Continued)

RATES

Fire Service

For 2½-inch fire hydrants on mains if not less than four inches internal diameter (Utility to furnish all material and maintenance), per month	\$2.00
For hydrants on mains less than four inches internal diameter, per month	1.00
Water used for street sprinkling or sewer flushing, per 100 cubic feet	.25
All other municipal or other public use of water shall be charged for at the regular meter rates.	

Schedule No. 4

ANNUAL METER RATES

APPLICABILITY

Applicable to all measured service.

TERRITORY

In and in the vicinity of the unincorporated town of Black Point, Marin County.

RATES

Minimum Charge:	<u>Per Meter Per Year</u>
For 5/8 x 3/4-inch meter.....	\$ 24.00
For 3/4-inch meter.....	37.50
For 1-inch meter.....	50.00
For 1½-inch meter.....	100.00
For 2-inch meter.....	125.00

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

Quantity Rates:

First 300 cu. ft., or less.....	\$ 2.00
Next 1,700 cu. ft., per 100 cu. ft.....	.30
Next 2,000 cu. ft., per 100 cu. ft.....	.25
Over 4,000 cu. ft., per 100 cu. ft.....	.20

Schedule No. 4

ANNUAL METER RATES (Continued)

SPECIAL CONDITIONS

1. The minimum annual charge is due February 1st of each year, payable in advance.

2. Charges for water used in excess of the consumer's entitlement for his minimum annual charge will be payable upon presentation of each monthly bill showing the additional amount due for such excess consumption.

IT IS HEREBY FURTHER ORDERED that the effective date of this Order shall be ten (10) days from and after the date hereof.

Dated at San Francisco, California, this 20th day of July, 1948.

R. J. Dunderman
Justice F. Calver
James F. Lippin
Harold A. Hill

Commissioners.