

Decision No. 42079

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of  
CLARENCE F. BERTSCH doing business  
under the name and style of Loleta  
Water Works, for authority to increase  
rates.

Application No. 29505

Harry W. Falk, for applicant;  
Louis Larson, for Golden State Company, Ltd.

O P I N I O N

Clarence F. Bertsch, doing business as Loleta Water Works, is engaged in distributing and selling water for domestic, commercial and industrial purposes as a public utility in and about the unincorporated town of Loleta, Humboldt County. By the above-entitled application he requests authority to increase rates and charges for water service in accordance with proposed schedules of rates contained therein. The application further states that the increases sought are necessary due to higher costs of operation and maintenance and the necessity of making specified improvements to the system which will entail considerable additional capital outlay.

A public hearing in this matter was held in Loleta before Examiner Ross.

Applicant's water properties comprise two separate systems, one system supplying the industrial requirements of the Loleta plant of Golden State Company, Ltd., a milk processing establishment, and the other system supplying the domestic and commercial requirements of the remainder of the town. The industrial water system consists of a group of springs from which water is collected and delivered into a 43,000-gallon concrete reservoir. From the reservoir it is conveyed

by gravity through approximately 3,500 feet of three-inch transite pipe to the Golden State plant. The domestic and commercial, or town, system receives its water supply from another group of springs and a dug well. The water from the latter springs is delivered into a concrete settling tank and thence into an adjoining 60,000-gallon concrete reservoir. Water from the well is introduced directly into the system. There are approximately 14,500 feet of mains supplying the town system, ranging in size from 1½ to three inches in diameter, and there are 121 services connected thereto, of which 29 are metered.

Applicant's present rates consist of a metered and a flat rate schedule. The present meter rate provides minimum monthly charges varying from \$1.50 for a 5/8 x 3/4-inch meter up to \$36 for a four-inch meter, and quantity rates starting at \$0.25 per 100 cubic feet for the first 600 cubic feet and going through various blocks at successively lower rates, with the terminal block \$0.075 per 100 cubic feet for usage in excess of 10,000 cubic feet per month. As a special condition, the present meter rate requires a deposit for meters installed at the request of customers, which is to be refunded on the basis of 20% of water bills. Applicant's proposed meter rate embodies increases in minimum charges varying from \$0.50 per month for a 5/8 x 3/4-inch meter up to \$4 for a four-inch meter, with increases in quantity rates ranging from \$0.15 per hundred cubic feet in the initial block to \$0.025 in the terminal block. Minor changes in the blocking are likewise proposed. The present flat rate schedule consists of about 25 classifications and sub-classifications of use with flat monthly charges specified for each. Representative of the flat rates is the charge of \$1 for a five-room residence with \$0.10 extra for each additional room. The flat rates proposed by applicant follow the same classifications as at present, but reflect increases in most categories from 50% to 100%. For example, the proposed charge for a five-room residence is \$2, which is an increase of \$1 or 100%.

Applicant placed in the record estimates of revenues and expenses under his proposed rates, together with a statement of present investment and an estimate of prospective capital expenditures. Revenues under his proposed rates were estimated at \$6,586 and expenses at \$5,410, leaving a net revenue of \$1,176. The investment was stated at \$36,906, including \$7,800 of improvements scheduled for the future, the largest single items being sufficient new meters to provide metered service to all customers, 1,200 feet of four-inch main and cleaning and tiling of the springs. The return indicated upon the present capital was 4.0% while the return on the capital including proposed improvements was 3.2%. In support of the need for installing infiltration galleries at the springs and for providing chlorination facilities, applicant introduced a letter from the State Department of Public Health advocating these improvements to the system.

The Commission's staff presented the results of a study of the water system's operations under existing and proposed rates. Annual revenues for the near future were estimated at \$3,750 under present rates, and \$6,530 under the rates proposed by applicant. Annual expenses were likewise estimated at \$3,560 under present rates and \$4,160 under proposed rates, the \$600 difference being attributable entirely to taxes dependent upon net income. Using as a rate base the fixed capital as reported to this Commission as of the end of 1947, or \$28,600, the net revenue remaining under present rates would be \$190 or a return of 0.7% on the rate base, and under the proposed rates would be \$2,370 or 8.3%. The fixed capital of \$28,600 as reported was based on a staff appraisal in 1932 plus net additions and betterments since that date.

Applicant's and the Commission staff's figures are in very close agreement on revenues under proposed rates, but applicant's estimate of expenses exceeds the staff's by \$1,250. The largest single identifiable item of difference is depreciation, for which applicant claimed \$750 but the staff allowed \$350, the former being on the straight line basis and the latter on the 5% sinking fund basis. The groupings of expenses as submitted by applicant, not being according to the prescribed classification of accounts, preclude detailed comparison with the staff's figures; however, under cross-examination applicant acknowledged that some portion of an item of \$1,200 for labor shown by him under expenses would be attributable to capital improvements.

A number of complaints of inadequate pressure were registered at the hearing. Applicant brought out that recently he had installed a new two-inch main in the alley between Franklin Street and Loleta Avenue, extending from Market Street to Lincoln Avenue to provide better pressure to customers receiving service from the smaller mains in Franklin Street and Loleta Avenue. It developed that certain of the complainants were located so that their pressure could be improved by connecting to the new two-inch main in the alley. It was applicant's contention that should the customers desire to take advantage of the new alley line, they would have to pay the cost of relocating their own facilities. In answer to the other complainants, applicant indicated that their pressure should be improved by the installation of the 1,200 feet of four-inch main scheduled for the near future and included in the list of planned improvements to which he had testified. Applicant likewise expressed the opinion that metering the customers now served on a flat rate basis would discourage waste of water and thereby assist in improving pressure conditions.

In reply to complaints of silt and discoloration, applicant stated that the proposed tile-lined infiltration galleries to be installed at the springs would remedy this situation.

It appears that the results of the staff's study on the operations of this utility are proper to use for testing rates, and upon that basis applicant is clearly entitled to relief; however, the rates requested by applicant, which would increase gross revenues by \$2,780 per year and yield a return of 8.3% on the fixed capital of \$26,600 are concluded to be excessive, and the Order will provide for a schedule of rates which will increase gross revenues by \$1,750 per year and will yield a return of 5.4% on the same fixed capital. The meter rates ordered do not require customer deposits to secure installation of meters.

It is likewise concluded that applicant's stated policy of requiring customers to defray the expenses of relocating their facilities in order to connect with applicant's new mains, admittedly installed to replace or at least augment existing smaller mains, is improper and not in the public interest. The Order will provide for the assumption by applicant of such costs of relocating customers' service facilities in order to connect to mains replacing in whole or in part, or augmenting, existing mains to which such customers are connected, to the extent necessary to provide proper and adequate service.

#### O R D E R

Application 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 Clarence F. Bertsch, in so far as they differ from the rates herein established, are unjust and unreasonable; that the rates herein established are just and reasonable rates to be charged for the service to be rendered, and 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 Clarence F. Bertsch be and he is hereby authorized and directed to file in quadruplicate with this Commission in conformity with the Commission's General Order No. 96, within thirty (30) days from the effective date of this Order, the schedule of rates shown in Exhibit A appended, such rates to become effective on and after the first day of November, 1948.

IT IS HEREBY FURTHER ORDERED as follows:

1. That Clarence F. Bertsch be and he is hereby directed to relocate at his expense, customers' facilities as may be required to permit connecting to mains replacing in whole or in part, or augmenting, existing mains to which such customers are connected, to the extent necessary to provide proper and adequate service.
2. That Clarence F. Bertsch within forty (40) days from the effective date of this Order, shall file with this Commission four sets of 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 present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

3. That Clarence F. Bertsch within forty (40) days from the effective date of this Order, shall 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 territory presently served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to establish clearly and definitely the location of the property comprising the entire utility area of service; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 28<sup>th</sup> day of September, 1948.

R. Z. [Signature]  
Justice J. Calver  
[Signature]  
Harold P. [Signature]  
[Signature]  
Commissioners.

EXHIBIT A

Schedule No. 2

FLAT RATES

APPLICABILITY

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

TERRITORY

In and in the vicinity of the town of Loleta. Humboldt County.

RATES

	<u>Per Month</u>
For residence of not more than five rooms occupied by single family. . . . .	\$ 1.75
For each additional room . . . . .	.15
Private bathtubs, each . . . . .	.15
Private toilets, each. . . . .	.20
For hotels and lodging houses, in addition to the family rate, for each room with a water tap . . . . .	.35
For each room without a water tap. . . . .	.15
For restaurant or dining room in connection therewith. . .	3.50
For small stores . . . . .	1.75
For large stores or warehouses . . . . .	2.65
For rooms on second and third stories occupied as offices, for each room with water tap . . . . .	.35
For barber shops, with one chair and one bathtub . . . . .	2.25
For each additional chair. . . . .	.50
For each additional bathtub. . . . .	.50
For urinals, bathtubs, toilets, either public or in hotels or barber shops or schools . . . . .	.50
For drug stores. . . . .	1.75
For soda fountains in addition to drug store rate. . . . .	2.25
For blacksmith shops . . . . .	1.75
For photograph galleries . . . . .	3.50
For bakeries . . . . .	2.25
For butcher shops. . . . .	2.25
For irrigation of lawns, gardens and shrubs for 1000 square feet, charge during summer months. . . . .	.25
For public halls and lodge rooms . . . . .	1.75
For private stables for one horse or cow, including water for washing vehicles . . . . .	1.75
For each additional cow or horse . . . . .	.10
For schools, per pupil based upon an average attendance. .	.07

EXHIBIT A

Schedule No. 1

METER RATES

APPLICABILITY

Applicable to all water service rendered on a metered basis.

TERRITORY

In and in the vicinity of the town of Loleta, Humboldt County.

RATES

Minimum Charge:	<u>Per Meter Per Month</u>
5/8 x 3/4-inch meter. . . . .	\$ 1.75
3/4-inch meter. . . . .	2.50
1-inch meter. . . . .	3.50
1 1/2-inch meter. . . . .	7.50
2-inch meter. . . . .	10.00
3-inch meter. . . . .	20.00
4-inch meter. . . . .	40.00

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

Quantity Charge:	
0 to 500 cubic feet, per 100 cubic feet. . .	\$ .35
Next 1,500 cubic feet, per 100 cubic feet. . .	.30
Next 2,000 cubic feet, per 100 cubic feet. . .	.20
Next 6,000 cubic feet, per 100 cubic feet. . .	.15
All to 15,000 cubic feet, per 100 cubic feet. . .	.10
All over 25,000 cubic feet, per 100 cubic feet. . .	.08

SPECIAL CONDITIONS

1. A meter may be installed on any service connection at the request of the consumer or at the option of the utility.