

Decision No. 42418**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 PORTOLA WATER COMPANY, INC., for an
 order authorizing the increase of
 certain rates.

Application No. 29701

Bertram D. Janes for applicant;
J. E. Prisin - Zano and Paul M. Sapp
 for Public Housing Administration,
 protestant.

O P I N I O N

In this application, as amended, Portola Water Company, Inc., seeks authority to increase certain of its rates for supplying water to consumers at Portola in Plumas County. A public hearing was held before Examiner Bradshaw at Portola on December 15, 1948.

Applicant's present rates in effect have been established by a series of decisions dating from September 28, 1916. The flat rates provide for a basic charge of \$1.75 per month for a four-room dwelling, including bathroom facilities. The meter rates provide for a minimum monthly charge of \$1.75 with an allowance of 800 cubic feet. For excess use, the charges are reduced through five blocks to six cents per 100 cubic feet for all use over 25,000 cubic feet.

Applicant proposes to restrict the present rate for fire hydrant usage to apply "for fire use only." It proposes to cancel all other flat rates, except for residences, and in lieu thereof establish a rule providing that "all commercial, industrial or municipal use, except water used for fire purposes from municipal hydrants, will be charged for at meter rates." In addition, authority is sought to establish the following monthly meter rates:

First	600 cubic feet or less	\$1.75
Next	1,400 cubic feet, per 100 cubic feet . . .	.25
Next	2,000 cubic feet, per 100 cubic feet . . .	.20
All over	4,000 cubic feet, per 100 cubic feet . . .	.15

As justification for the proposed revision of its rate schedules, applicant alleges that personnel and maintenance costs have increased during the last several years, that expenditures have been made for improvements to its water system without a proportionate increase in consumers, that the present rates do not yield a fair or adequate return on the utility's capital investment, and that existing rates result in discrimination between certain consumers of like types.

Applicant's president and manager, E. I. Lane, testified generally concerning increases which have occurred in operating costs. He asserted that applicant is faced with the necessity of paying a county franchise tax amounting to 2% of its gross revenues. It appears from the testimony that this tax has not been paid in the past, but that recently the grand jury recommended that the county take steps to enforce collection. The witness stated that the tax would amount to about \$500 a year, but that he did not know when, or for how long a period in the past, payments would be required.

According to Exhibit B of the application, revenues received during the first eight months of 1948 amounted to \$13,233, as compared with operating expenses, taxes and depreciation of \$13,480.

Considerable testimony was given by applicant's witness concerning the present meter rates as applied to water delivered to a federal housing project. The project consists of 60 dwelling units which is serviced through a single master meter. In order to supply water to the project, the witness declared that applicant was required to construct a new well and purchase an additional pump costing \$5,000. He contended that under the present rates water is supplied at a loss, because considerable pumping is necessary. The witness also asserted that pumping of water from wells was not required at the time the

present meter rates were established in 1928, because an adequate water supply was then available from springs located two and three miles south of town. It was estimated that the present charges for water consumed at the project average 50 cents a month per family, as compared with an average charge of \$1.75 to other household users.

An engineer of the Commission's hydraulic division introduced in evidence Exhibit 1 covering results of operation. The evidence submitted was based upon an examination of the utility's properties and an analysis of available accounting records and reports. The following tabulation compares the earnings for 1947 and estimated for 1948 under present and proposed rates:

	Year 1947		Year 1948	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 19,643	\$ 24,320	\$ 19,570	\$ 24,090
Operating Expenses	16,278	17,080	17,391	17,924
Net Revenue	3,365	7,240	2,179	6,166
Average Rate Base	103,100	103,100	108,300	108,300
Rate of Return	3.3%	7.0%	2.0%	5.7%

The witness stated that in the event payment of the 2% county franchise tax becomes necessary, the effect upon applicant's rate of return would be as follows:

	Excluding Franchise Tax	Including Franchise Tax
<u>Year 1947</u>		
Based on present rates	3.3%	3.0%
Based on proposed rates	7.0	6.6
<u>Year 1948 (Estimated)</u>		
Based on present rates	2.0%	1.7%
Based on proposed rates	5.7	5.4

According to the investigation conducted by the Commission's engineer, applicant's water supply has not been sufficient during the last few years to furnish consumers with the quantity of water they desired to use. The acquisition of a small spring several miles east

of town was suggested as an economically feasible means of augmenting applicant's water supply. In the opinion of the engineer, the cost of doing so and installing the necessary transmission mains would be approximately \$20,000. After allowing for a return on the additional investment, an increase in depreciation charges, and a resultant reduction in pumping expenses, he estimated that, predicated upon operations during the year 1947, applicant would earn a return of 2.7% at the present rates and 5.8% at the proposed rates. If applicant's experience in 1948 is taken as a criterion of future operations, the return would be 1.7% at the present rates and 4.8% at the proposed rates.

The Public Housing Administration protested the granting of the application. It contends that the present meter rates for quantities over 4,000 cubic feet of water a month should remain in effect. The Administration's utilities officer testified that, based upon the water consumed by the housing project during the 12 months ended November 30, 1948, the average daily water consumption per dwelling unit amounted to only 180 gallons, as contrasted with a normal average family consumption of 380 gallons a day. He stated that compared with other projects of the same type in California the water consumption at the Portola project was very low. As a further reason for continuing the present rate, the witness pointed out that, at the time the project was built, the government installed a six-inch main a distance of 735 feet to the project, provided a meter and built a distribution system within the project. The total cost of the work was stated as being about \$6,800.

A resident of the area known as North Portola complained about the lack of sufficient water during the summer and urged that steps be taken to provide an adequate water supply. Another resident stated that he would not oppose an increase in rates if an adequate water supply would be made available.

From the facts of record in this proceeding, it is evident that applicant should be authorized to increase its rates. So far as the existing flat rates for other than residential uses are concerned, the evidence indicates that such rates are availed of to a very limited extent. It would, therefore, appear that meter rates should apply for all commercial, industrial, and municipal uses other than for water used for fire purposes from municipal hydrants.

In view of all the circumstances which have been brought to our attention, we are also of the opinion that the proposed meter rates are reasonable and should be applicable to the several uses proposed in the application, including water delivered to the federal housing project.

In accepting the authority herein granted, applicant should give immediate consideration to perfecting arrangements whereby its consumers will be assured of a more adequate water supply, especially during the summer months. The Commission should be notified within 30 days whether, and to what extent, plans have been formulated to do so.

O R D E R

Portola Water Company, Inc. having applied to this Commission for an order authorizing increases in rates, a public hearing having been held and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increase in rates authorized by this decision is justified; therefore,

IT IS HEREBY ORDERED that the applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after the first day of February, 1949.

The authority herein granted shall lapse unless the increased rates are published and filed within thirty (30) days from the effective date of this order.

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

Dated at San Francisco, California, this 12th day of January, 1949.

R. Z. [Signature]
Justice F. [Signature]
Grant [Signature]
Harold [Signature]
[Signature]
Commissioners

Schedule No. 1

DOMESTIC FLAT RATE SERVICE

APPLICABILITY

Applicable to all domestic water service.

TERRITORY

In and about the incorporated city of Portola, Plumas County.

RATES

1. Residences:	<u>Per Month</u>
1 - or 2-room cabins	\$0.50
3-room cabins or cottages . . . . .	.75
4-room dwellings	1.00
For each additional room over 4 . . . . .	.10
Additional for sink with running water . . . . .	.25
Additional for each flush toilet . . . . .	.25
Additional for each bathtub or shower . . . . .	.25
2. Public Use:	
Fire hydrants (for fire use only), each	1.00
3. Commercial Use:	
All commercial, industrial or municipal use, except water used for fire purposes from municipal hydrants, will be charged for at meter rates.	

SPECIAL CONDITION

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

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In and about the incorporated city of Portola, Plumas County.

RATES

Quantity Rates:		Per Meter Per Month
First	600 cubic feet or less	\$1.75
Next	1,400 cubic feet, per 100 cubic feet . . . . .	.25
Next	2,000 cubic feet, per 100 cubic feet . . . . .	.20
All over	4,000 cubic feet, per 100 cubic feet . . . . .	.15

Minimum Charge:

5/8 x 3/4-inch meter	1.75
3/4-inch meter	2.00
1-inch meter	2.50
1-1/2-inch meter	3.25
2-inch meter	5.00
3-inch meter	10.00
4-inch meter	20.00

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

SPECIAL CONDITION

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