

Decision No. 42874

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of DOMINICO ROVAI, an individual doing business under the fictitious name and style of WILDWOOD WATER COMPANY for an order authorizing permission to increase water rates.

Application No. 30043

Julio Rovai for applicant.O P I N I O N

Mrs. Dominico Rovai, doing business as the Wildwood Water Company, owns and operates a water works in the town of Rio Dell, Humboldt County. The above-entitled application was filed on February 4, 1949 seeking authority to establish an increased schedule of rates. A public hearing on this application was held before Examiner Edwards at Rio Dell on May 5, 1949. The application was made by Mr. Rovai, but in the interval between the date of filing and the date of this hearing, Mr. Rovai passed away and the water system is being operated by Mrs. Rovai.

This water system was acquired by Mr. Rovai in 1924 at a cost of \$2,000. Additions and improvements have been made during the past 25 years and it has an approximate present historical cost value of \$37,000. Applicant plans to expend another \$20,000 to extend the system and install a new well and pump.

The water supply for this system is obtained from four sources: Springs, well, creek, and by purchase from the Pacific Lumber Company. The main source of supply is the springs. Water is gathered and delivered by gravity through 1½ miles of two-, three-, and four-inch pipe to storage tanks above the town. Water from the well and from the creek is pumped directly into the storage tanks.

Water purchased from the Pacific Lumber Company is at distribution pressure and is brought across the highway bridge from Scotia through 4,500 feet of two-inch and 2½-inch pipe, where it can be delivered into either the distribution system or storage tanks. There are approximately 34,000 feet of distribution mains varying in size from ¾-inch to four-inches in diameter. Water is served over this system to 268 customers, 186 being on meter rates and 82 on flat rates.

Mr. Julio Rovai, son of the applicant, appeared at the hearing as the main witness. He is now the manager of the system and stated that for the past 1½ years has had to work full time to operate and maintain the system and that business now has grown to the point where his wife also has to work several days per month to keep the books and help with the billing.

Mr. Rovai testified that the system has always been run as a family affair and that he and his brother have both done considerable work on the system, but have never been fully compensated for their time. He figures that back wages due them, and now unpaid, amount to approximately \$2,500. His father never did charge on the books the full cost of all labor and for that reason the past records of earnings have been misleading. He now finds that higher rates are necessary if full operating costs are to be paid and if a high enough return is to be shown on the investment to attract new capital for making needed system extensions and improvements. Money costs him 6% interest when borrowed from the bank. He also stated that unit material costs are double to triple prewar prices on common items like pipe and valves.

In order to put the system on a sound basis, Mr. Rovai estimates that an additional \$2,400 in annual revenue is needed. He proposes to raise the monthly flat rates from \$1.75 to \$2.25 for residences, from \$2 to \$2.25 for stores and shops, and to raise the monthly meter minimums on 5/8 by ¾-inch meters from \$1.75 to \$2, and on ¾-inch meters from \$2.25 to \$2.75. He also proposes raising the

quantity rates by five cents per 100 cubic feet and reducing the quantity included in the minimum charge from 600 back to 400 cubic feet per meter per month.

For the purpose of learning what effect the proposed new rates would have on the net revenue of the system, Mr. C. E. Norris, an engineer in the Commission's Hydraulic Division, made a study and submitted a report in evidence. He estimated that the new rates will increase next year's estimated revenue by \$2,450. After allowing \$250 per month salary for the combined operating labor of Mr. and Mrs. Julio Rovai, \$600 annual depreciation charge, and other regular expenses, a net revenue of \$2,580 is estimated. This is equivalent to 6.97% on a rate base of \$37,000. Without the increased rates, the return would be only 1.70%.

Four customers came forward at the hearing either to complain about rates or service, ask questions, or testify. Mr. Albert Grundman stated the pressure was low in the late summer months and questioned this utility's need for an increase in rates. Mr. Dick Gardner, who runs an appliance shop, answered Mr. Grundman's complaint about pressure when he told how difficult it has been to obtain pipe of sufficient size to improve the distribution system pressures during peak use periods. He also stated that the rapid growth of the town in recent years, together with increased cost of materials and labor, accounts for need of this proposed increase in rates at this time.

Mr. Neil Thom, who is a partner in Peterson's Dairy, thought the water rates were high, particularly to the larger users, but after reading the engineer's report could see need for some increase. Another customer, Mr. Angelo Barsanti, thought that the public utility should be granted some increase, but did not see the need for a full-time manager. Also he thought \$250 was too small a salary if he did work full time. It was explained to Mr. Barsanti that part of Mr. Rovai's time would be put in on new construction.

Mr. Barsanti also is interested in this system as a member of the Rio Dell Chamber of Commerce, and further testified that this town needs more water, particularly in the summertime; that the lines are old and inadequate; and that pressures should be improved. Mr. Rovai answered this complaint by stating that a new well is being developed; that a new tank will be placed in the north part of town; and that pressures are being improved by cross-connecting and eliminating dead ends. As time and materials permit he also plans to replace the small mains with larger pipe.

Mr. Rovai was questioned as to the reason why water was low in the late summer months when there is nearly always water in the Eel River nearby. He stated the creek dries up and the springs drop off so that he has to purchase make-up water from the Pacific Lumber Company which obtains its water from the Eel River. In order to take and use water directly from the river a filtration and purification plant would be needed. Mr. Paul Schmook, the resident engineer of the Pacific Lumber Company who supervises the operation of the Lumber Company water system, testified that a filtration and purification plant would cost \$100,000 and that this small system could not justify such an expenditure. Mr. Schmook recommended, instead, the \$20,000 improvement consisting of a new well, transmission line, and tank.

From a review of the record, the Commission believes that the applicant must have higher rates to bring the rate of return up to a level that will attract new capital for making system extensions. This is also necessary in order to make the improvements to satisfy the customers' objections. However, it is concluded that the rates requested by applicant would yield an excessive return. The rates provided by the order herein will increase annual gross operating revenues approximately \$1,250 and result in a rate of return of 5.7% on the rate base for 1949 level of business.

Schedule No. 1

METER RATES

APPLICABILITY

Applicable to all water service furnished on a measured basis.

TERRITORY

In and in the vicinity of the unincorporated town of Rio Dell,  
Humboldt County.

RATES:

Monthly Quantity Charges:	Per Meter Per Month
First 500 cubic feet or less . . . . .	\$ 1.85
Next 500 cubic feet per 100 cubic feet. . . . .	.35
Next 1,000 cubic feet per 100 cubic feet. . . . .	.25
Over 2,000 cubic feet per 100 cubic feet. . . . .	.20
Monthly Minimum Charges:	
For 5/8 x 3/4-inch meter. . . . .	\$ 1.85
For 3/4-inch meter. . . . .	2.75
For 1-inch meter. . . . .	3.50
For 1 1/4-inch meter. . . . .	7.00
For 2-inch meter. . . . .	8.00
For 3-inch meter. . . . .	14.00

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

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

In and in the vicinity of the unincorporated town of Rio Dell,  
Humboldt County.

RATES:

	<u>Per Month</u>
Residences	\$2.00
Hotels and commercial boarding houses	4.00
Stores and shops	2.25

SPECIAL CONDITIONS:

1. For other commercial customers or large users, the flat rate will be determined by water use as measured by meter or estimated and applied to the meter rates set forth under Schedule No. 1.
2. Meters may be installed at the request of any customer or at the option of the utility.

O R D E R

Mrs. Dominico Rovai, doing business as the Wildwood Water Company, 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 increases in rates authorized herein are justified; therefore,

IT IS HEREBY ORDERED that Mrs. Dominico Rovai 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 15th day of June, 1949.

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

Dated at San Francisco, California, this 17<sup>th</sup> day of

May, 1949.

R. F. Anderson  
Justice P. Colquhoun  
Deputy Lowell

Commissioners.