

Decision No. 45149

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WILLIAM K. OWEN, dba SMITH RIVER WATER
SERVICE for "authorization to increase
rates."

Application No. 31699

ORIGINAL

William Kenneth Owen, as applicant.

O P I N I O N

In this application, filed August 23, 1950, William K. Owen, doing business as Smith River Water Service, seeks authorization to increase rates for water service rendered in and adjacent to the unincorporated town of Smith River, Del Norte County.

A public hearing was held before Examiner Emerson on November 29, 1950, at Smith River at which time the matter was submitted for decision.

Applicant operates a gravity water system serving approximately 94 customers in and about Smith River. Water is obtained from Domino Creek except during the winter months when logging operations make Domino Creek water muddy and unusable. During the winter months water is obtained from small tributary creeks which, except during storms, run clear and produce a sufficient amount of water for all ordinary winter use.

Customers served, revenues received and expenses incurred in recent years are summarized as follows:

<u>Year</u>	<u>Customers</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net Revenue</u>
1945	63	\$ 658.26	\$ 643.18	\$ 15.08
1946	65	1,259.72	738.96	520.74
1947	66	1,386.71	1,515.08	(129.37)
1948	76	1,491.06	924.88	566.18
1949	85	1,552.08	994.17	557.91
1950*	94	1,750.00	1,606.00	144.00

(Red Figure)

* 10 months actual, 2 months estimated.

An investigation of system operations and an examination of applicant's books was made by an engineer of the Commission staff. The engineer testified that the sum of \$7,500 represented the estimated original cost of the facilities used in rendering service at the time applicant acquired the system in 1945 and that net additions and betterments in the amount of \$4,297 have since been made, resulting in a total historical cost of \$11,797 as of November 1, 1950. Using the "straight-line" method, an annual depreciation expense of \$463 is indicated and the reserve requirement, as of December 31, 1950, will be \$6,754. Thus, an estimated historical cost, depreciated, of \$5,043 may be used as a base by which the applicant's present earning position and the reasonableness of applicant's proposed rates may be tested.

Using the above figures, applicant's estimated rate of return for the year 1950 is 2.86%. It is of record that up to the present time neither the applicant nor his wife, who keeps the books and does other clerical work such as billing and collecting, has ever received any compensation in the form of wages. Applicant testified that all operating expenses, including labor, have risen steadily during the past five years and cited as examples the cost of pipe, which has increased from 84 cents per foot in 1945 to \$1.18 per foot in 1950, and casual labor, which has increased from 75 cents

per hour in 1945 to \$1.80 per hour in 1950. That applicant's earning position is unsatisfactory is readily apparent and the need for relief is obvious.

Rates presently in effect on the Smith River system consist of a flat rate of \$1.50 per month and a meter rate with a minimum charge of \$1.25 per month with blocked charges ranging from 25 cents to 10 cents per 100 cubic feet of water delivered. Only four customers are now served on meter rates. Applicant has requested that the flat rate be increased to \$2.50 per month for single units and to \$2 per month for each additional unit on the same property. An increase in the meter rate minimum from \$1.25 to \$2.25 per month is also requested. Fourteen of applicant's customers were present at the hearing and none opposed the granting of applicant's request.

An estimate of immediate future annual expenses, on the basis of normal operations and allowing a nominal salary to the operator, as presented by the Commission's engineer, totals \$2,475. For the same period, revenues to be obtained by applying applicant's requested rates are estimated to total \$2,800. Estimated net revenue would therefore be \$325 and would produce a rate of return of approximately 6.4%. Such a return is fair and reasonable, under the existing circumstances, and the rates and conditions requested by applicant will be allowed. To the extent that the present rates differ from the rates hereinafter prescribed, said existing rates are hereby found to be unjust and unreasonable.

O R D E R

William K. Owen, doing business as Smith River Water Service, having applied to this Commission for an order authorizing an increase in rates, a public hearing having been held, the matter having been submitted and now being ready for decision,

Schedule No. 1

GENERAL FLAT RATES

APPLICABILITY

Applicable to all service rendered on a flat rate basis.

TERRITORY

In and in the vicinity of Smith River, Del Norte County, California.

RATES

Per Month

For each dwelling, store, shop or business unit on a single lot supplied through a single connection	\$2.50
For each additional dwelling, apartment, store, shop or business unit supplied through the same connection	2.00

SPECIAL CONDITIONS

1. Charges for flat rate service are payable in advance.
2. Meters may be installed at the option of the utility or the customer in which event service will thereafter be rendered only on the basis of Schedule No. 2, General Metered Rates. A customer's request for change from flat rate to metered service must be made in writing.

Schedule No. 2

GENERAL METERED RATESAPPLICABILITY

Applicable to all service rendered on a metered basis.

TERRITORY

In and in the vicinity of Smith River, Del Norte County, California.

RATES

Quantity Charge

Per Meter
Per Month

First 1,000 cubic feet, per 100 cubic feet . .	\$0.25
Next 3,000 cubic feet, per 100 cubic feet . .	.20
Over 4,000 cubic feet, per 100 cubic feet . .	.10

Minimum Charge

For 5/8 x 3/4-inch meter \$2.25

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

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with 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 February 1, 1951.

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

Dated at San Francisco, California, this 19th day of

December, 1950.

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