

Decision No. 45323

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of CRESCENT CITY WATER COMPANY
to increase rates

Application No. 31787

Crescent City Water Company by Harry U. Falk;
City of Crescent City by Geo. J. Raymond,
City Attorney, Hon. Al Manuel, Mayor,
E. R. Griffin, City Clerk and Henry Cooper,
Councilman; Del Norte County Chamber of
Commerce by Charles C. Selig and Bernard
McClendon.

INTERIM OPINION

In this proceeding Crescent City Water Company, a corporation, requests authority to increase rates charged by it for general water service rendered within and adjacent to Crescent City, Del Norte County, California. The application was filed on September 25, 1950, and an amendment thereto was filed on January 4, 1951 during the course of a public hearing in the matter held before Examiner Emerson in Crescent City. By its amendment applicant filed a new balance sheet and income statement and a new schedule of proposed rates and charges for water service, said schedule showing higher rates and charges than those proposed in the original application.

Applicant's presently filed meter rates have monthly minimum charges ranging from \$1.50 to \$7.50, depending on meter size, and quantity blocking starting at 25 cents per 100 cubic feet stepped down to 15 cents per 100 cubic feet through three blocks. Present flat rates range from \$1.50 per month per residence to \$2 per month for a residence having a garden. Such rates were established pursuant to this Commission's Decision No. 41671

in Application No. 28749, issued May 27, 1948 following a public hearing on applicant's request to increase rates.

The rates proposed by applicant, as set forth in Exhibit No. 14 attached to the amended application, provide for monthly minimum charges, on a meter basis, ranging from \$2.25 to \$11.25, depending upon meter size and blocked quantity charges ranging from 37½ cents to 22½ cents per 100 cubic feet. Monthly flat rates range from \$2.25 per residence to \$3 for a residence with a garden. Fire hydrants are also on a flat rate basis and the rate schedule proposed has varying charges depending upon the size of connections and whether the hydrant is within or without the city limits. The rates requested are 50% higher than present rates in all categories except fire hydrant rentals to the city.

Applicant serves approximately 1,100 customers, including municipal services. In addition, 69 fire hydrants are served within the city limits. The present sources of supply, which produce about 1,250,000 gallons per day, consist of two wells and an unnamed stream tributary to Elk Creek. One well, 20 feet in diameter and 36 feet deep, is located at the Macken Avenue pumping plant and adjacent to a 60,000-gallon elevated storage tank. The stream supply is diverted from the Elk Creek tributary either into a ponded sump or into a settling basin from which the water is pumped through two large filters into the distribution system. A second well, located on the west side of Highway 101 approximately 150 feet north of Highway 199, is leased from a private party and its water is pumped directly into the distribution system. The distribution system consists of pipes varying in size from 3/4-inch to 8 inches in diameter, the majority being 2 inches or less in diameter. Nearly all pipe of 4-inch or larger diameter is wood pipe, much of it Douglas Fir.

Individual customers, as well as witnesses for the City of Crescent City and the Del Norte County Chamber of Commerce testified as to the inadequacy of supply or pressure and to the annoyance as well as food spoilage occasioned by the high degree of discoloration of the water during and after storms. In these respects it is of record that applicant's president, during the 1948 rate proceeding, testified that improvement of such conditions would be undertaken and specifically that a strip from 4 to 6 feet wide would be cleared of leaves and underbrush in the early fall of each year along each bank of the source of water supply stream for the purpose of minimizing water discoloration. Testimony offered in the present proceeding indicates that such work has not been done. One witness testified that six homes were served from a 1-inch main and that at times water pressure is so low that practically no water is available. Applicant's president admitted the justification of this complaint and stated that the lack of water was due to "overloaded" mains. Another witness testified that service was obtained by means of a 3/4-inch main approximately 12 blocks long, and that the quantity of water received was nearly always inadequate. The Mayor of Crescent City expressed the official concern of the city and its fire chief over the inadequacy of supply and stated that water has been in short supply on several occasions. The City Clerk, the Mayor, and the Chamber of Commerce witness testified that the repeatedly made promises of applicant's president to improve service and install a low-water alarm system had not been fulfilled. In the main, all protesting witnesses complained about water discoloration, inadequate water or pressure, and the nonfulfillment of promises for improvement. None objected to increased rates, however, if improvement in service conditions would actually be made.

The company's and the staff's estimates of gross revenues derivable during 1950 at present rates are in close agreement within a few dollars of \$34,000. The two estimates are also in close agreement in showing 1950 operating expenses at within a few hundred dollars of \$26,600. The company uses the 5% sinking fund method of depreciation accounting and includes interest on the depreciation reserve in operating expenses. In developing a rate base to be used for testing the reasonableness of applicant's rates and rate request, the staff determined average depreciated and un-depreciated capital figures with depreciation reserve requirements brought up to date from the staff's 1948 rate proceeding study, such treatment of the depreciation reserve being necessary because plant retirements have, in many cases, not been recorded on the company's books. To such capital figures are added an allowance for working cash and for materials and supplies. Such method develops the following bases and indicated rates of return:

Year 1950

Item	: 5% S.F. Method : (Full Histor- : ical Cost)	: Modified 5% S. F. : Method (Depreciated : Historical Cost)
Average Fixed Capital	\$126,475	\$126,475
Avg. Depreciation Reserve	-	(50,600)
Working Cash	2,600	2,600
Materials and Supplies	1,000	1,000
Rate Base	130,075	79,475
Net Revenue	8,400	5,600
Rate of Return	6.46%	7.05%

(Inverse Item)

From such determination, it is apparent that applicant would need no rate relief for the year 1950.

Estimates of the expected numbers of customers, revenues, expenses, and fixed capital in 1951 were presented both by applicant

and the Commission staff. Counsel for applicant indicated that the staff's report (Exhibit No. 5 in this proceeding) was acceptable to applicant except as to those matters pertaining to estimates of future expenses and fixed capital, particularly those anticipated for the year 1951. By Exhibit No. 2, and supporting testimony of applicant's president and accountants, applicant's operating expenses and fixed capital additions as estimated for 1951 were presented in considerable detail.

Applicant's presentation apparently was based on desirable improvements and wage increases during the anticipated actual year 1951. The staff's presentation was based on a normal year 1951 with a 15% wage increase, taking into account the past performance of the company with respect to making needed improvements in service. Applicant's estimate of total 1951 operating expenses, if present rates were to be continued, is \$51,434. The comparable staff estimate for 1951 is \$33,720. Under the proposed rates, applicant's estimated 1951 operating expenses are \$52,160 and the staff's are \$35,860.

With respect to fixed capital additions for 1951, the staff has estimated, based on normal growth and giving recognition to the largest previous yearly outlay, the sum of \$14,245 for additions and \$950 for retirements, a net addition of \$13,295, which would indicate an average 1951 undepreciated fixed capital of \$136,150. The company's estimate, based upon a schedule of plant replacements of approximately 26,900 feet of main and 50 meters, plus normal growth requirements, totals \$58,810 for additions, and \$10,039 for retirements, a net addition of \$48,771, and would produce an average undepreciated fixed capital of \$153,800 for 1951. Under cross-examination, the Commission engineer stated that the water system could well stand the scheduled replacements and extensions proposed by the company, but that he seriously questioned the ability of the company to make them. Applicant's president has

stated that nearly all materials are in short supply and are difficult to obtain without intensive search of the market and then only on unpredictable delivery schedules. He further indicated that the company cannot readily obtain funds for expansion and cited the fact that requests for loans of various sums ranging from \$20,000 to \$125,000 had been turned down by the Reconstruction Finance Corporation and two banks. That applicant's proposed plant additions and replacements are needed cannot be denied in view of the record in this proceeding. The completion of such a program, however, appears to be highly problematical and we shall adopt an estimated total of fixed capital for 1951 which we consider to be more nearly in accordance with experience in this property.

After critical examination of the estimates presented in this proceeding and after consideration of all the pertinent evidence, we conclude that the following tabulation indicates a fair and reasonable estimate of operating revenues, operating expenses, average fixed capital, rate bases, and rates of return for the calendar year 1951 based upon the rates requested in the application as amended:

Year 1951

Item	5% S.F. Method (Full Historical Cost)	Modified 5% S. F. Method (Depreciated Historical Cost)
Operating Revenues	\$ 53,600	\$ 53,600
Operating Expenses	36,800	39,600
Net Revenue	16,800	14,000
Average Fixed Capital	140,000	140,000
Average Depreciation Reserve	-	(56,630)
Working Cash	2,000	2,000
Materials and Supplies	1,500	1,500
Rate Base	143,500	86,870
Rate of Return	11.7%	16.1%

(Inverse Item)

It is concluded that the rates requested by applicant would yield an excessive return. However, the applicant is entitled to some relief in view of the program for making needed improvements in quality of water and adequacy of pressure. In this connection, it appears essential that clearing the supply stream and replacing obviously undersized mains be given earliest attention. Applicant is placed upon notice, however, that if improvement in service conditions is not realized prior to December 31, 1951, this Commission will take such steps as necessary with a view to rescinding the increase in rates herein granted and taking such other action as may be found necessary. The order herein will provide for interim rates which will increase gross revenues approximately \$9,400 annually, resulting in an increase of about 26%, as compared with applicant's request for a 47% increase. The order will result in a rate of return of about 6.5% on a \$143,500 historical cost rate base.

To the extent that the present rates differ from the rates hereinafter prescribed, said existing rates are hereby found to be unjust and unreasonable.

INTERIM ORDER

Crescent City Water Company, a corporation, having applied to this Commission for an order authorizing increases in rates, a public hearing having been held, the matter having been submitted and now being ready for decision,

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 March 1, 1951.

IT IS HEREBY FURTHER ORDERED that applicant shall within thirty (30) days after the effective date of this order clear leaves, debris, and underbrush from the source of water supply stream to a distance of not less than five (5) feet either side of any portion of said stream located on lands owned or controlled by applicant; and further, that similar clearing shall be made during the month of October in 1951 and yearly thereafter as long as said stream is used as a source of water supply to applicant's water system.

IT IS HEREBY FURTHER ORDERED that applicant shall within sixty (60) days after the effective date of this order install a suitable low-water alarm system for its elevated storage tank at the Macken Avenue plant.

IT IS HEREBY FURTHER ORDERED that applicant shall, after the effective date of this order, on or before the tenth day of each month and until January 10, 1952, file a written statement setting forth in detail the new facilities and the facilities replacing

presently operating properties that were installed during the preceding month.

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

Dated at San Francisco, California, this 30th day of January, 1951.

R. T. [Signature]
James F. [Signature]
Harold [Signature]
[Signature]

Commissioners.

Schedule No. 1

METER RATES

APPLICABILITY

Applicable for all measured water service.

TERRITORY

In the city of Crescent City, Del Norte County, and territory immediately contiguous thereto.

RATES

Quantity Charge:	<u>Per Meter</u> <u>Per Month</u>
First 500 cu.ft. or less	\$2.00
Next 1,000 cu.ft., per 100 cu.ft.....	.30
Next 2,500 cu.ft., per 100 cu.ft.....	.25
Over 4,000 cu.ft., per 100 cu.ft.....	.20
 Minimum Charge:	
For 5/8 x 3/4-inch meter.....	\$2.00
For 3/4-inch meter.....	2.50
For 1-inch meter.....	3.50
For 1-1/2-inch meter.....	6.00
For 2-inch meter.....	9.00

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

Schedule No. 2

FLAT RATES

APPLICABILITY

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

TERRITORY

In the city of Crescent City, Del Norte County, and territory immediately contiguous thereto.

RATES

	<u>Per Month</u>
For small residence without bath and using no water for garden irrigation.....	\$2.00
Single family residence to include garden use for an area not to exceed 2,500 sq. ft.....	2.50
For additional house or apartment served through a single service.....	2.00
For areas irrigated in addition to that included above during the months of May through October per 100 sq.ft.....	.05

For commercial purposes according to water use, to be determined by meter or otherwise and not to exceed the meter rates as herein established.

SPECIAL CONDITIONS

1. Flat rate charges are payable monthly in advance.
2. Meters may be installed at the option of the utility or the customer, in which event service thereafter will be rendered only on the basis of Schedule No. 1, Meter Rates.

Schedule No. 3

FIRE HYDRANT RATESAPPLICABILITY

Applicable to all public and private fire hydrants served by Crescent City Water Company.

TERRITORY

In the city of Crescent City, Del Norte County and territory immediately contiguous thereto.

RATES

	<u>Per Month</u>
Municipal fire hydrant rental	
Minimum charge for 69 hydrants on mains 4 inches in diameter and larger.....	\$191.00
For each additional hydrant on mains 4 inches in diameter and larger.....	3.00
For each additional hydrant on mains 2-1/2 to 3 inches in diameter.....	2.50
For each additional hydrant on mains 1-1/2 to 2 inches in diameter.....	2.00
Private fire hydrants	
For 2-inch connections.....	\$ 2.25
For 1 1/2-inch connections.....	1.75
For 1-inch connections.....	1.50
For 3/4-inch connections.....	1.25