

Decision No. 46174

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
N. M. PETERSON and ELEANORA )  
PETERSON, dba MOUNTAIN AVENUE ) Application No. 32411  
WATER COMPANY, ) (Amended)  
for increase in rates. )

N. M. Peterson and E. C. Peterson by A. R. Grinstead, attorney for applicants; Ed. F. Catey, for the Commission staff.

O P I N I O N

By the above-entitled application filed May 17, 1951, and as amended July 26, 1951, N. M. Peterson and Eleanora C. Peterson (Mountain Avenue Water Company) seek authority to increase rates and charges for water service rendered in and about the unincorporated town of Feters Springs, Sonoma County.

A public hearing in this matter was held before Examiner Emerson at Feters Springs on August 21, 1951.

Applicants presently serve 181 active connections in the areas, located along or to the east of State Highway No. 12 near Feters Springs, known as Woodleaf Park, Sonoma Highlands, Agua Caliente Park, and Feters Springs Terrace in Sonoma County. The area is primarily a resort area and in the past has attracted many nonpermanent customers. Since World War II, however, an increasing number of customers have become year-round water users and new homes designed for permanent occupancy are presently under construction in the area. Applicants' present rates are in two schedules, one for permanent residents and one for summer residents. Applicants' proposed rates incorporate service charges and commodity

charges for all consumers. It is alleged that such rate form will eliminate the present inequality as between permanent and non-permanent users in payment for over-all service. A similar rate form has been recently placed in effect on the larger water system which borders the system of applicants. The proposed rates are as follows:

<u>Service Charge:</u>	<u>Per Meter Per Month</u>
For 5/8 x 3/4-inch meter .....	\$ 1.25
For 3/4-inch meter .....	1.50
For 1-inch meter .....	2.00
For 1 1/2-inch meter .....	2.50
For 2-inch meter .....	3.00

Quantity Rates:

First 500 cu. ft., per 100 cu. ft. ....	\$ 0.35
Next 1,000 cu. ft., per 100 cu. ft. ....	.25
Over 1,500 cu. ft., per 100 cu. ft. ....	.20

Special Conditions

Seasonal users to pay full year's service charge of \$15 in advance.

The proposed rates would produce an increase of approximately 50% in the gross revenues now received by the company.

Applicants' system consists of two deep wells, two redwood-stave storage tanks, approximately 16,000 feet of distribution mains, and approximately 195 service connections, of which 181 are active and metered. The present system is a combination of several predecessor systems, the oldest of which was placed in operation about the year 1913. As shown in Exhibit No. 1 in this proceeding, fixed capital as of December 31, 1950, totaled \$17,980 on a historical cost basis, such sum being derived from an appraisal of the system made by an engineer of the Commission staff. No additions or retirements are anticipated for the year 1951, hence the average fixed capital for 1951 is the same figure. It appears that the only major addition to be made in the foreseeable future

will be replacement of the Highland Tank some four or five years hence. Replacement cost is estimated at \$4,000 at the present time, but its probable cost upon actual replacement has not been estimated.

This water system has experienced the same ever-increasing costs of operation as have other neighboring utilities in the postwar years. Labor costs have almost trebled while pipe and fittings prices have more than doubled. At the same time operating revenues have remained practically unchanged. Applicants' presently effective rates were established in 1943 when the rates previously established in 1932 were voluntarily reduced. Evidence presented in this proceeding clearly indicates that the system has been operated without profit. During 1950, the owners received only \$1,230 for their entire year's salaries and earned no return on their investment. It is obvious that this system cannot long continue to serve its customers adequately at such a level of reimbursement. Applicants are clearly in need of relief in the form of increased revenues.

Under the proposed rates, 12 months' operation will produce an estimated \$7,100 of operating revenues. Operating expenses for the same period are estimated to be \$5,400, including \$825 for taxes and \$475 for depreciation. The relation of these amounts to rate base is as follows:

<u>Item</u>	<u>Amount</u>
Total Fixed Capital	\$ 17,980
Materials and Supplies	990
Working Cash	330
Rate Base (Undepreciated)	<u>19,300</u>
Depreciation Reserve Requirement	<u>(7,300)</u>
Rate Base (Depreciated)	12,000
Operating Revenues	7,100
Operating Expenses	<u>5,400</u>
Net Revenue	1,700
Rate of Return (Depreciated Base)	14.2%

(Inverso Item)

From the preceding tabulation, it is apparent that the proposed rates would produce an excessive return. The record in this proceeding clearly indicates that applicants are in need of substantial relief in the form of increased revenues in order to meet their operating expenses, including a ~~living wage~~ <sup>living wage</sup> for the operators and a fair return on plant investment. We find, therefore, that a depreciated rate base of \$12,000 is a fair and reasonable base upon which applicants are entitled to earn a return and that gross revenues of approximately \$6,350, an increase of about 41% over present revenues, are needed by applicants. Such gross revenues will produce a net revenue of approximately \$950, or a rate of return of 7.9% on the rate base hereinabove found to be reasonable. For the purposes of this proceeding we find such return to be fair to the utility and not unreasonable to its customers. In our opinion the rate form proposed by applicants is most suitable for this particular system, and the rates hereinafter to be authorized will provide for a monthly service charge to which will be added commodity charges for water used. 274

O R D E R

N. M. Peterson and E. C. Peterson (Mountain Avenue Water Company) having applied to this Commission for an order authorizing increases in rates and charges, a public hearing having been held, and the matter being now ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that the present rates, in so far as they differ from those prescribed herein, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicants are authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with General Order No. 96,

the schedule of rates set forth in Exhibit A attached to this order and, upon not less than five (5) days' notice to the Commission and the public, to make such rates effective for all bills and charges for service rendered on and after October 1, 1951.

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

Dated at San Francisco, California, this 4<sup>th</sup> day of September, 1951.

R. J. [Signature] President.  
Justus J. [Signature]  
Harold [Signature]  
[Signature]  
[Signature] Commissioners.

EXHIBIT A

Schedule No. 1

GENERAL METER RATES

APPLICABILITY

Applicable to all water service rendered on a measured basis.

TERRITORY

In and in the vicinity of Feters Springs, Sonoma County, as delineated on the map included in the tariff sheets.

RATES

Service Charge:		Per Meter Per Month
For 5/8 x 3/4-inch meter	.....	\$1.25
For 3/4-inch meter	.....	1.50
For 1-inch meter	.....	2.00
For 1 1/2-inch meter	.....	2.50
For 2-inch meter	.....	3.00

Quantity Charge (to be added to Service Charge):

First	500 cubic feet, per 100 cubic feet	.....	\$0.28
Next	1,000 cubic feet, per 100 cubic feet	.....	.24
Next	1,000 cubic feet, per 100 cubic feet	.....	.20
Over	2,500 cubic feet, per 100 cubic feet	.....	.15

SPECIAL CONDITIONS

1. Seasonal users, who are not bona fide permanent customers, shall pay 12 times the monthly service charge in advance.