

Decision No. 46239

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
LORENZO WATER WORKS for authority to	)	
increase water rates for its water	)	Application No. A-32285
system serving in a section of the	)	(Amended)
Southern part of the Town of Boulder	)	
Creek, County of Santa Cruz, California.	)	

Otto J. Holm, applicant; Leon Rowland,  
interested party.

O P I N I O N

In this application, filed April 9, 1951, and as amended July 27, 1951, Otto J. Holm (Lorenzo Water Works) seeks authority to increase water rates for service rendered in the southern portion of the town of Boulder Creek, Santa Cruz County.

A public hearing in this matter was held in Boulder Creek on September 17, 1951, before Examiner Emerson.

Applicant serves approximately 130 active connections in an area bounded on the north by Harmon Street, on the south by Grant Street and Molasky Creek, on the east by the San Lorenzo River and on the west by Hillside Terrace in the southern part of Boulder Creek. The system was purchased by applicant from his father in September 1950.<sup>1/</sup> Flat rate service is rendered 41 customers and 89 are served at metered rates. The system is within an extensive summer resort area, is practically fully developed and during each year serves numerous seasonal or non-permanent residents.

<sup>1/</sup> For a description of the system see Decision No. 44679 in Application No. 31624 issued August 22, 1950.

The rates presently in effect on this system were established in 1924 and consist of three schedules denoted Flat Rate Service, Metered Service, and Public School Rate. The latter is a flat rate schedule for service to the Boulder Creek Union High School but is no longer in use because the school has been placed on the meter rate. The existing rates and those proposed by applicant, though different in form, are compared in the following tabulation:

Flat Rate Service

(Compared on basis of full calendar year service)

	<u>Present Rate</u>	<u>Proposed Rate</u>
General Water Service, per year .....	\$20.00	\$27.00
General Water Service, per month.....	1.50	2.25
Fire Hydrants, per hydrant per year..	-	2.25

Metered Service

(Compared on basis of monthly billings and full year usage)

Quantity, in cubic feet	<u>Present Bill</u>	<u>Proposed Bill</u>
500 (minimum) .....	\$ 1.50	\$ 2.25
1,000 .....	2.50	4.00
1,500 .....	3.50	5.75
2,000 .....	4.25	7.50
4,000 .....	7.25	13.50
5,000 .....	8.75	16.50
10,000 .....	14.75	29.00
20,000 .....	24.75	49.00
30,000 .....	34.75	69.00

Minimum Charge, annually

5/8 x 3/4-inch meter .....	\$16.00	\$27.00
3/4-inch meter .....	16.00	36.00

The proposed rates would produce an increase of \$1,960 (approximately 65%) in the gross revenues now received by applicant. Metered service has heretofore produced 84% of total operating revenues, and the rates proposed by applicant would continue such proportion.

This water system is experiencing the same ever-increasing costs of operation as have other utilities since World War II. While operating revenues have remained practically constant, nearly every operating cost has increased. Some materials used in making repairs on this system have increased threefold in cost in the past five years. Many other items of operating expense have more than doubled. The system has been operated for many years on a sole-proprietor basis, with the owner personally performing nearly all the work of construction, repair, maintenance, and operation. Prior to 1950 no salary or other wage for the owner was charged to the system. The present owner, however, has been receiving a wage of \$125 per month and has included a sum of \$200 per month for his wages in estimates of future operating expenses.

Estimates of operations were presented at the hearing by applicant and an engineer of the Commission staff. Recorded figures necessitated adjustment because of poor record keeping and book entries having been placed in improper accounts. When properly adjusted they show that applicant's net revenue in 1950 was approximately \$9. Under present rates applicant will operate at a loss of about \$160 in 1951. Assuming full year operation under the proposed rates a net revenue of approximately \$1,450 would be realized.

Applicant presented, as Exhibit No. 6 in this proceeding, an estimate of fixed capital totaling \$26,340, determined on the basis of reproduction costs at price levels prevailing between April 23 and September 12, 1951. Such estimate was obtained by summarizing bids received from various contractors on the construction of a new system comprising elements identical to those now in place except as to age. The staff engineer, on the other hand, prepared an appraisal of the existing system based upon items

of plant as set forth in a Commission staff appraisal made in connection with Application No. 17382 filed on July 15, 1931, to which yearly net additions and betterments were added to reach a historical cost of total fixed capital of \$14,702 as of December 31, 1950. Further additions to the system during 1951 are estimated by applicant at \$5,900 and by the staff engineer at \$5,740.

Applicant and the staff indicated that their estimates would remain substantially unchanged for a future normal 12-month period and might be used for the year 1952, due recognition being given to necessary system capital additions. We therefore conclude from the record in the proceeding that the following tabulation shows fair and reasonable estimates of the results of operation of this utility system for the periods indicated.

Item	Present Rates		Proposed Rates	
	1950	1951	1951	1952
Operating Revenues	\$ 3,093	\$ 3,093	\$ 5,075	\$ 5,075
Operating Expenses, excluding Taxes and Depreciation	2,570	2,595	2,600	3,150
Taxes	160	160	525	550
Depreciation (Straight-Line)	354	500	500	500
Total Operating Expenses	3,084	3,255	3,625	4,200
Net Revenues	9	(162)	1,450	875
Average Rate Bases				
Average Fixed Capital	14,250	14,250	17,570	20,400
Working Cash	203	203	200	200
Materials and Supplies	377	377	430	500
Depreciation Reserve	(2,583)	(2,583)	(2,920)	(3,100)
Rate Bases (Depreciated)	12,247	12,247	15,330 <sup>a</sup>	18,000
Rates of Return	.07%	Loss	9.45% <sup>a</sup>	4.86%

(Inverse Item)

- a. This return will not be realized as it reflected 12 months' operation at proposed rates.

From the above, it is apparent that applicant is in need of increased revenues and in the total amount sought. The rates hereinafter authorized will produce gross revenues of approximately \$5,075, which, after deduction of \$4,200 as operating expenses will produce a net revenue of \$875, or a return of 4.86% on a depreciated base of \$18,000, which return and base we find to be reasonable.

Of the eight customers in attendance at the hearing none came forward to enter any protest with respect to the requested rate increase or to offer any complaint with respect to service.

Upon the basis of the record in this proceeding, the Commission concludes that the return on the investment which the proposed rates are estimated to produce is not unreasonable to applicant's customers and that said increased rates are necessary to provide applicant with some improvement in his financial position.

O R D E R

Otto J. Holm, doing business as Lorenzo Water Works, having applied to this Commission for an order authorizing increase in rates and charges for water service, 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 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 applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with General Order No. 96, the

schedules of rates set forth in Exhibit A attached hereto, and on not less than five (5) days' notice to the Commission and the public, to make said rates effective for all water service rendered on and after November 1, 1951.

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

Dated at San Francisco, California, this 3<sup>rd</sup> day of October, 1951.

R. T. Anderson  
President.  
Justice F. Coe  
Harold P. Kula  
John L. Mitchell  
Commissioners.

EXHIBIT A  
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Schedule No. 1

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Throughout the entire territory in Boulder Creek, Santa Cruz County, as delineated on the map included in the tariff sheets.

RATES

For each service connection, per year ..... \$27.00

SPECIAL CONDITIONS

1. Charges are payable annually 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. 2, General Metered Service. A customer's request for change from flat rate to metered service must be made in writing.

EXHIBIT A  
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## Schedule No. 2

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

Throughout the entire territory in Boulder Creek, Santa Cruz County, as delineated on the map included in the tariff sheets.

RATES

Quantity Charge:	<u>Per Meter Per Month</u>
First 500 cubic feet or less .....	\$2.25
Next 1,500 cubic feet, per 100 cubic feet .....	.35
Next 3,000 cubic feet, per 100 cubic feet .....	.30
Next 5,000 cubic feet, per 100 cubic feet .....	.25
Over 10,000 cubic feet, per 100 cubic feet .....	.20
 Annual Minimum Charge:	 <u>Per Meter Per Year</u>
For 5/8 x 3/4-inch meter .....	\$ 27.00
For 3/4-inch meter .....	36.00
For 1-inch meter .....	54.00
For 1 1/2-inch meter .....	84.00
For 2-inch meter .....	144.00

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

SPECIAL CONDITIONS

1. The Annual Minimum Charge will be calculated on a calendar year basis.
2. Except as hereinafter provided, the Annual Minimum Charge will be billed and payable in advance on or before January 1 of each year.
3. Permanent residents, herein defined, will be billed monthly.

Permanent residents shall be those consumers who are registered voters within the service area of the utility or who maintain a business throughout the calendar year within the service area.



Schedule No. 3

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to the Boulder Creek Fire Department.

TERRITORY

Throughout the entire territory in Boulder Creek, Santa Cruz County, as delineated on maps included in the tariff sheets.

RATES

	<u>Per Year</u>
Per Hydrant, payable in advance .....	\$2.25