

Decision No. 46376

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ARTHUR W. NICHOLLS, Owner)
of the DUTCH FLAT WATER WORKS, for)
authority to increase rates for water) Application No. 32247
service rendered in Dutch Flat,)
Placer County, California.)

Arthur W. Nicholls, applicant; William E. Maccoun
and Fred Hudson, interested parties.

O P I N I O N

In this application, filed March 28, 1951, Arthur W. Nicholls (Dutch Flat Water Works) seeks authority to increase rates for water service rendered in the Town of Dutch Flat, Placer County.

A public hearing was held in this matter before Examiner Emerson in Dutch Flat on September 12, 1951. Twenty-seven of applicant's customers attended the hearing.

Applicant's present rates were established by this Commission's Decision No. 37702 in Application No. 25920 and became effective May 1, 1945. By said decision four separate rate schedules were authorized. Applicant now proposes that the present four schedules be replaced by two schedules and requests rates which will increase gross revenues by approximately \$500 annually. The proposed rates would increase the basic residential rate from \$1.50 to \$2 per month, provide for a full 12 months' service to permanent residents, and increase annual charges to nonpermanent residents from \$9 for six months' service to \$16 for eight months' service.

The water system serving Dutch Flat began operations about 100 years ago when extensive hydraulic mining of gold-bearing gravel deposits in the area were worked. Water was

first obtained from springs and later supplemented from the mining ditches or flumes in the vicinity of the town, which conveyed river water for the hydraulic mining. A storage tank was erected in 1857 adjacent to four springs and later a reservoir was built for the purpose of storing spring and ditch water. Water from the reservoir flows by gravity to applicant's customers.

This system has changed ownership several times, the present owner having acquired it in 1911. Applicant has made additions and betterments to the system and now obtains water by purchase from Pacific Gas and Electric Company's Cedar Creek Canal diversion of Lake Alta. The water system consists of (a) distribution mains and hydrants owned by the townspeople and (b) distribution mains, reservoirs, services, meters and hydrants owned or leased by applicant.

About 1871 certain water users in the town pooled sums of money, labor or materials for the construction of mains and hydrants for the town's fire protection. Such early practice of providing funds, though now in minor accounts, continues to this day. By an early agreement or understanding with the original owners of this utility, these town fire mains were utilized as distribution mains for domestic water service throughout the town, with the understanding that water for fire protection purposes would be provided free of charge and that the utility operator would make minor repairs, as needed from time to time to these mains. It was understood that the townspeople were to make major repairs and replacements, when needed. This agreement or understanding, once apparently in writing but now not available, is considered to be still in force. The utility uses these

mains as part of its distribution system and connects customer service pipes thereto when necessary. Such mains consist of approximately 4,500 feet of pipes ranging in size from 15 inches to 2½ inches in diameter, and twenty-seven 2½-inch fire hydrants are connected thereto. Apparently when these mains and hydrants require major repairs and replacements, the townspeople ordinarily contribute money and labor for such work. To assist in maintaining the mains, the utility also contributes money and furnishes materials.

The water facilities owned by applicant, and which are connected to the above-mentioned mains, consist of approximately 3,200 feet of distribution mains, primarily in the lower sections of the town, a concrete storage reservoir of 65,000 gallons capacity, 98 service connections, 42 meters, valves, valve boxes, fences, a tool house, and a small parcel of land. An additional reservoir of 80,000-gallon capacity is under lease to applicant. Applicant supplies water to all residents of Dutch Flat except those that have their own springs or are at elevations above the limits of gravity flow from the reservoir.

The uncertain ownership and divided maintenance responsibility described above is somewhat unique in water utility operations and has led to controversy, particularly with respect to what may constitute a major or a minor repair. Leaks have remained unrepaired, causing wastage of water for which applicant must pay on a measured basis; one leak, allegedly, has been flowing for a period of about 15 years. According to applicant, cooperative effort on the part of the townspeople has deteriorated to the point where they decline to make needed repairs and replacements. Obviously such situation cannot long continue without disintegration of the water system.

The pipes which may not be owned by applicant in the upper portion of Main Street are several times the size required to serve the system adequately. The costs of replacement in kind are therefore disproportionate and applicant should not be expected to assume such a burden. Nor should he be expected to absorb the costs of water wasted by deterioration of these mains. Applicant has attempted to obtain ownership of such mains by quitclaim deeds without avail. Allegedly the rising costs of maintenance are forcing him to sustain an annual out-of-pocket loss. He has requested authority, therefore, to charge each customer served from the "town system" 25 cents per month, in addition to the regular water bill, and to set the proceeds of such charges in a separate fund to be used only for repairs and replacements of this portion of the system. The Commission is not the proper tribunal to determine ownership of property. Considering the entire system as an entity, regardless of possible questions of title to portions thereof, the record clearly shows that 1952 expenses will exceed revenues, and that applicant is presently operating at a loss. Applicant is therefore entitled to a rate increase. However, the imposition of what is, in effect, a 25-cent monthly surcharge on the rates of certain customers only, will not be authorized. Such a surcharge necessarily would be based on a finding that these particular customers are responsible for the making of "major" repairs on the mains from which they receive service. Normally a utility is expected to repair and maintain the utility system, and such expenses are a proper operating charge.

Evidence presented by applicant indicates that during the period in which water rates have remained unchanged and revenues essentially constant, all the costs of material, labor

and taxes have greatly increased. The cost of labor, for example, has increased 67% from \$6 per day in 1945 to \$10 per day in 1951. During the same period material costs, on the average, have increased more than 50% and taxes have been increased about five-fold. Recorded and estimated amounts of revenues and expenses for 1950 and 1951, as presented by applicant and the Commission staff, together with an estimate of such items for the year 1952 as an entire system and under the rates to be authorized herein, are as follows:

Item	1950		1951 Estimated		1952 Estimated	
	Recorded	Present Rates	Present Rates	Requested Rates	Present Rates	Authorized Rates
<u>Operating Revenues</u>						
Metered Service	\$ 939.14	\$1,020	\$ 1,286 ^a	\$1,020	\$ 1,080	
Flat Rate Service	775.00	760	989	760	1,420	
Total Operating Revenues	1,714.14	1,780	2,275	1,780	2,500	
<u>Operating Expenses</u>						
Source of Water Supply	430.92	645	645	650	650	
Transmission and Distribution	528.81	460	460	475	700	
Commercial	375.50	375	375	375	380	
General and Miscellaneous	237.83	280	280	280	280	
Taxes	88.14	86	142	90	150	
Depreciation	28.95	139	139	140	140	
Total Operating Expenses	1,690.15	1,985	2,041	2,010	2,300	
Net Operating Revenues	23.99	(205)	234 ^a	(230)	200	

(Loss)

a. Will not be realized as it assumes full year operation at proposed rates.

The above net revenues, when related to depreciated rate bases, as presented in this proceeding, of \$2,600 for 1950 and \$3,200 for 1951 and 1952, indicate rates of return of 0.9% for 1950, 7.3% for full year operation under proposed rates, and 6½% for 1952 operations under the rates to be authorized. For the purposes of this proceeding, we find a depreciated rate base of \$3,200 for 1952 and a rate of return thereon of 6½% to be fair and reasonable.

Insert

The rates hereinafter authorized will be placed at such levels as to produce gross revenues which, after normal operating expenses for the entire system, considered as an entity, are deducted therefrom, will allow a return of 6 $\frac{1}{2}$ % on applicant's investment which return we find to be fair and reasonable. By allowing as operating expenses the costs of repairing and maintaining the entire system, applicant will hereafter be obligated to make all repairs to all or any portions of the distribution mains, fittings, and hydrants. The costs of replacements, however, are not operating expenses and will not be borne by applicant except as they may pertain to plant owned by him. Applicant should either obtain clear title to all facilities devoted to public utility operations or install his own distribution facilities.

O R D E R

Arthur W. Nicholls, doing business as Dutch Flat Water Works, having applied to this Commission for an order authorizing increases in rates and charges for water service, a public hearing thereon 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 three (3) days' notice to the Commission and the

EXHIBIT A
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Schedule No. 1

GENERAL FLAT RATES PERMANENT RESIDENTSAPPLICABILITY

Applicable to all water service rendered to permanent residents on a flat rate as more fully specified below:

TERRITORY

In and in the vicinity of the town of Dutch Flat, Placer County, California.

RATES

	<u>Per Month</u>
Cabins of two rooms or less	\$1.40
Residence of three rooms or more	1.75
For each flush toilet20
For each bathtub or shower bath20
Sprinkling or irrigation of lawns, shrubbery gardens, payable for the six-month period, May to October, inclusive:	
First 1,000 sq.ft. or less50
Over 1,000 sq.ft., per 100 sq.ft.05
For small stores or business places	2.50
Additional for each flush toilet or bath20
For lodge rooms, assembly halls with kitchen and flush toilets	2.50

Schedule No. 2

GENERAL FLAT RATES NONPERMANENT RESIDENTS

APPLICABILITY

Applicable to all water service rendered to nonpermanent residents on a flat rate as more fully specified below:

TERRITORY

In and in the vicinity of the town of Dutch Flat, Placer County, California.

RATES

Minimum Annual Charge, payable in advance for which the customer is entitled to water service for a period of any number of consecutive months in the calendar year at the regular flat rate schedule shown below \$17.50

For any excess of service over and above the \$17.50 charge during the months of May to October, inclusive, or for single months of service thereafter, the regular rates shown below will apply:

For the intermittent use of water on week ends and/or holidays for the six-month period from November through April on the premises of owners of summer homes where payment of not less than the \$17.50 charge has been made during the six-month period from May through October, inclusive, payable in advance 6.00
or, if period is less than six months, \$1.00 per month.

EXHIBIT A
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Schedule No. 2

GENERAL METER RATES PERMANENT RESIDENTS

APPLICABILITY

Applicable to all water service rendered to permanent residents on a metered basis as more fully specified below. The application of this rate instead of the flat rate is optional on the part of the utility, or upon application of the customer.

TERRITORY

In and in the vicinity of the town of Dutch Flat, Placer County, California.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Charge:	
First 600 cu.ft. or less	\$2.25
Next 1,400 cu.ft., per 100 cu.ft.15
Next 1,000 cu.ft., per 100 cu.ft.10
Over 3,000 cu.ft., per 100 cu.ft.06
Minimum Monthly Charge:	
For 5/8-inch meter	\$2.25
For 3/4-inch meter	3.00
For 1-inch meter	4.50
For 1 1/2-inch meter	6.00

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

Schedule No. 4

GENERAL METER RATES NONPERMANENT RESIDENTS

APPLICABILITY

Applicable to all water service rendered to nonpermanent residents on a metered basis as more fully specified below. The application of this rate instead of the flat rate is optional on the part of the utility, or upon application of the customer.

TERRITORY

In and in the vicinity of the town of Dutch Flat, Placer County, California.

RATES

Minimum Annual Charge:

Payable in advance, for which the customer is entitled to water service for a period of any number of consecutive months in the calendar year at the General Meter Rate Schedule shown below \$16.00

For any excess of service over and above the \$16.00 charge during the months of May to October, inclusive, or for any single month of service thereafter, the regular rates shown below will apply.

For the intermittent use of water on week ends and/or holidays for the six-month period from November through April on the premises of customers where payment of the Minimum Annual Charge of \$16.00 has been made during the six-month period from May through October, inclusive, payable in advance 6.00
or, if period is less than six months, \$1.00 per month. If more than 300 cubic feet is used the charge will be at the full regular rate as provided in meter schedule. *Detention*

public, to make said rates effective for all water service rendered on and after December 1, 1951.

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

Dated at San Francisco, California, this 6th day of November, 1951.

A. J. [Signature]
 President.

Justus J. [Signature]

Harold [Signature]

[Signature]

[Signature]
 Commissioners.