

ORIGINAL

Decision No. 46777

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Rio Dell Water System for) Application No. 32766
order authorizing rate increase.)

Appearances for applicant: Irwin T. Quinn,
Julio J. Rovai.

Protestants: Chester Pearson, for People of
Rio Dell; Glenn A. Waldner and Mrs. Tracy Guedwin,
for Rio Dell Elementary School; Hubert Goodner,
Peggy S. Johnson, C. M. Hall, Elden J. Clement,
George L. Brandt, Walter P. Flynn, in propria
personae.

Interested parties: Ray Pelanconi, for
Chamber of Commerce; Frank M. Lennen, in propria
personae.

Other appearances: C. F. Norris, L. L. Thormod,
for the Commission staff.

O P I N I O N

Mrs. Angelina Rovai, doing business as Rio Dell Water System, filed the above-entitled application on September 24, 1951, for an order of the Commission authorizing increases in water rates to customers located in and in the vicinity of Rio Dell, Humboldt County. Applicant's proposed increased rates are set forth in the application. A public hearing on this application was held before Examiner M. W. Edwards on January 22, 1952, at Rio Dell.

Facilities of applicant for serving water to customers in Rio Dell consist of production, transmission, storage, and distribution equipment. The Rio Dell System, as it is now composed, consists of the former Wildwood Water Company and the former Rio Dell Water Works. The former Wildwood Water Company was operated by Angelina Rovai, and served the southern portion of the town of

Rio Dell. The Rio Dell Water Works was operated by G. E. Rickter, and served the northern part of Rio Dell. Mr. Rickter obtained authorization of the Commission under Decision No. 45184, Application No. 31724, to sell his system to Angelina Rovai.

The main source of water supply is obtained by gravity from the groups of springs known as Dean Creek Springs and Bellevue Springs. This supply is augmented by pumping from two wells which serve the community. Storage is provided by five redwood tanks varying in size from 10,000 to 60,000 gallons. As of June 30, 1951, the applicant used some 75,000 feet of distribution mains to serve 575 customers, of which 215 were supplied through meters.

Applicant's Position

In general, the applicant seeks an approximate 50% increase in revenues or \$7,200 per annum in order to pay present-day wages for operating the system and to attract the necessary capital to expand and rehabilitate the system. Applicant's manager testified that he now works seven days a week in order to operate and maintain the system, and receives a salary of \$285 per month. In addition, he testified that the cost of common items of material used in maintaining the system have shown a sharp price increase in the past three or four years, as has the cost of common labor. In 1947 it was possible to obtain part-time help of a plumber for \$2.50 an hour and manual labor for \$1.50 an hour. Currently the applicant must pay \$4 to \$5 per hour for a plumber and \$2 an hour for part-time labor.

Applicant's witness testified that many improvements are needed on the system in order to keep up with the rapid growth of the community, and, in addition, to replace some of the older facilities in the Rickter System. Among the new facilities needed are a new well and pump, new reservoir, improvement of springs,

additional 1½-, 2-, and 6-inch pipe, and 300 water meters. The estimated total cost of new capital additions is \$29,138.

Customers' Statements

Several customers, as well as customer representatives, appeared at the hearing and made statements in opposition to the proposed rate increase. Of principal concern was the fact that in certain areas the pipes are too small, in size, to deliver the quantity of water and maintain the pressure desired by the customers. This condition is in part due to the rapid growth in the area, as well as to the fact that in the late summer months the supply of water becomes limited. Another item of complaint was the fact that only a portion of the customers received metered service and a larger portion received flat rate service. Applicant plans to correct this situation by the installation of additional meters. The matter of fire protection and hydrants was also brought to the attention of the Commission. The system has several large cisterns which are used by the local fire department, from which the utility derives no revenue.

Several persons complained that the rate increase requested by the applicant appeared too great, based upon the type of service being rendered. Two customers were of the opinion that the rates requested by the applicant are reasonable. Another customer would gladly pay increased rates if the service could be improved. All statements by customers have been carefully considered by the Commission in arriving at a decision on this matter.

Evidence of Earnings

Applicant's witness claimed that the monthly operating cost is \$1,155 but did not know the current rate of return for the system. In the application it was stated that there is no ready

cash available for emergency repairs. A Commission staff engineer and a staff accountant examined the books and records of the utility and prepared a report upon the operations of this system. The report was placed in evidence by the engineer as Exhibit No. 1. The comparative operating results as shown by the application, and as determined by the staff representatives for the fiscal year 1950-1951 and for an immediate future year are as follows:

Item	:Commission Staff Exhibit No. 1:			
	: 1950-1951 :	: Immediate Future :	: Annual Operations :	: Requested :
	: Application: Recorded :	: and :	: Present :	: Requested :
	: Figures :	: Adjusted :	: Rates :	: Rates :
	: 1950-1951 :	: Adjusted :	: Rates :	: Rates :
<u>Operating Revenue</u>				
Metered Service	\$ 7,177.00	\$ 7,369.00	\$ 7,811	\$11,586
Flat Rate Service	7,386.00	7,503.00	7,953	11,930
Total Revenue	14,563.00	14,872.00	15,764	23,516
<u>Operating Expenses</u>				
Source of Water Supply	654.14	628.05	1,200	1,200
Pumping	1,685.64	2,236.66	1,545	1,545
Purification	46.08	62.16	120	120
Trans.and Dist.Expense	5,158.36	2,061.76	2,700	2,700
Commercial	602.83	703.82	1,020	1,020
General	1,655.56	2,043.07	2,005	2,005
Taxes	1,238.08	946.57	1,894	4,754
Depreciation	1,558.10	1,829.50	2,033	2,033
Total Expense	12,598.79	10,511.59	12,517	15,377
Net Operating Revenue	1,964.21	4,360.41	3,247	8,139
Rate Base Depreciated Average	79,117.00	60,815.00	66,412	66,412
Rate of Return	2.48%	7.17%	4.89%	12.26%

The staff engineer described the difficulty involved in determining the earnings of the system, primarily because a proper set of records of revenues and expenses had not been kept. He recommended that the company install a satisfactory set of books and that if the operators themselves cannot keep these records and books they should then employ a qualified accountant or bookkeeper on a part-time basis. In going over these records, the engineer and the accountant found it necessary to adjust the claimed expenses

by over \$2,000 for the year 1950-1951 and the capital by over \$12,000 because certain items of capital investment had been charged to operating expense and because other items of claimed expense and capital could not be substantiated by the records.

The engineer also suggested that the utility should provide office space with telephone service to enable customers to report promptly inadequate service conditions or damage to the utility's installations requiring immediate attention. In the estimate for near-future annual operating expenses, an allowance of \$75 per month for a bookkeeper was included, as well as a salary of approximately \$400 per month for the manager. The manager testified that it would cost approximately \$500 to have a firm of accountants set up a proper bookkeeping system and that the monthly operating expense for keeping the books would be approximately \$100. The engineer also suggested that an inventory and appraisal be made of the portion of the system acquired from Rickter for the approval of the Commission so that proper entries may be made in the utility's books to reflect the depreciated cost of the facilities in this property as of the date of acquisition.

Conclusions on Earnings

On the basis of the adjusted showing for the fiscal year 1950-1951, it is not apparent that an increase in rates is needed. However, the engineer's estimate for the immediate future, after allowing for the increased expenses in connection with the bookkeeping and manager's salary, showed a return of 4.89% which is below the amount which will attract the capital necessary to improve and rehabilitate the system. Assuming that applicant's proposed capital additions in the amount of \$29,138 in large part will be installed during the next 12 months, additional revenues will be necessary to pay the fixed charges on such added capital.

In addition, an allowance of \$100 per month in lieu of the \$75 per month for bookkeeping appears advisable, plus an allowance of \$20 per month for truck expense.

The depreciated rate base of \$66,412 was computed by the staff representatives from an analysis of the available records and is approximately \$12,705 less than that based on the application figures. In view of applicant's proposed capital improvements of approximately \$30,000, it is estimated that the rate base should be augmented by \$10,000 as the weighted average portion of this capital to become operative during the next 12 months. After allowing for an increase in depreciation reserve of \$2,350 for the year, we find a proper depreciated rate base for the immediate future annual period to be \$74,062 for the purposes of this decision. In order to bring the rate of return up to 6.15% on this system, after making the adjustments herein enumerated to the staff's figures which we hereby adopt, a revenue increase of \$2,680 is required. This increase in revenue is \$4,520 less than requested by the applicant.

Authorized Rates

The company's present rate blocking has not been changed but the proposed rate levels have been modified to meet the findings of this order. The present, proposed, and authorized rates for metered service are summarized in the following tabulation:

<u>Present Rates:</u>	<u>Per Meter Per Month</u>
First 500 cubic feet, or less	\$1.85
Next 500 cubic feet, per 100 cubic feet35
Next 1,000 cubic feet, per 100 cubic feet25
Over 2,000 cubic feet, per 100 cubic feet20
 <u>Company Proposed Rates:</u>	
First 400 cubic feet, or less	\$2.50
Next 600 cubic feet, per 100 cubic feet50
Next 1,000 cubic feet, per 100 cubic feet35
Over 2,000 cubic feet, per 100 cubic feet25
 <u>Authorized Rates:</u>	
First 500 cubic feet, or less	\$2.15
Next 500 cubic feet, per 100 cubic feet37
Next 1,000 cubic feet, per 100 cubic feet30
Over 2,000 cubic feet, per 100 cubic feet20

Consistent with the change in meter rates, the flat rate for residences has been established at \$2.40 per month instead of \$3, as requested by the applicant. Minimum charges for meter sizes larger than 5/8 by 3/4-inch meters have been adjusted to a consistent level, which is somewhat below that proposed by applicant.

Schedules of rates for fire cistern, fire hydrant, and private fire sprinkler service are not being established at this time. It is suggested that the applicant negotiate with the local fire district and the local school district for a contract to cover the value of the service being rendered by the water utility to the community. At present, only the school is paying for fire hydrant service and this arrangement should be made a matter of record and filed with the Commission.

Conclusion

After reviewing all of the evidence brought before us in this matter and giving full weight to the need for system improvement as evidenced by testimony presented by customers, it is our conclusion that some increase is necessary and that an order should be issued increasing the rates in the manner and in the amount according to the findings herein.

O R D E R

Mrs. Angelina Rovai, doing business as the Rio Dell Water System, 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 increases in rates and charges authorized herein are justified, and that present rates in so far as they differ from those herein prescribed for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, 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 to the public, to make said rates effective for service rendered on and after March 15, 1952.

IT IS HEREBY FURTHER ORDERED that applicant shall:

1. Set up and maintain a satisfactory set of books and records such as will enable applicant to comply strictly with the uniform classification of accounts for water utilities as prescribed by this Commission, to segregate properly capital and operating expenses and to furnish correct financial and operating reports.
2. File within fifteen (15) days after the effective date of this order two copies of a detailed construction budget for new capital expenditures showing the major items of improvements to be made, together with the estimated cost and dates for completion by items. Such budget should contain all items listed in the application and as testified to by applicant's manager at the hearing. In addition such items as are necessary to correct the service deficiencies indicated by testimony of the protestants at the hearing should be included.
3. File within thirty (30) days after the effective date of this order, four (4) copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant, together with rules and regulations and tariff service map acceptable to this Commission and in accordance with the requirements of General Order No. 96.
4. Render a report by July 15, 1952 showing what progress has been made up to June 30, 1952 with regard to the installation of an adequate bookkeeping system and the installation of the items listed on the construction budget, together with the proposed book entries for the approval of the Commission showing the acquisition of the depreciated properties of the Rickter System.

- 5. Each quarter thereafter applicant shall render a progress report similar to that required by Paragraph 4 above, until the improvements programmed are substantially completed.

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

Dated at San Francisco, California, this 19th day of February, 1952.

R. S. [Signature]
President.

Justice J. [Signature]

Harold [Signature]

Commissioners.

EXHIBIT A
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Schedule No. 1

METERED WATER SERVICEAPPLICABILITY

Applicable to all water service furnished on a measured basis.

TERRITORY

In and in the vicinity of the unincorporated town of Rio Dell,
Humboldt County.

RATES

Quantity Charge:	Per Meter Per Month
First 500 cubic feet or less.....	\$2.15
Next 500 cubic feet, per 100 cubic feet.....	.37
Next 1,000 cubic feet, per 100 cubic feet.....	.30
Over 2,000 cubic feet, per 100 cubic feet.....	.20

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$2.15
For 3/4-inch meter.....	3.20
For 1-inch meter.....	4.10
For 1½-inch meter.....	8.15
For 2-inch meter.....	9.50
For 3-inch meter.....	16.50

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

EXHIBIT A
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Schedule No. 2

FLAT RATE WATER SERVICE

APPLICABILITY

Applicable to all water service furnished on flat rate basis.

TERRITORY

In and in the vicinity of the unincorporated town of Rio Dell,
Humboldt County.

RATES

	<u>Per Month</u>
Residences.....	\$2.40
Stores and Shops.....	2.70
Hotels and Boarding Houses.....	4.80

SPECIAL CONDITIONS:

1. All types of service not included in the above listings will be charged for on a measured basis.
2. Meters may be installed at the request of any customer or at the option of the utility.