

ORIGINAL

Decision No. 46983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Coastair)
Electronics, Inc. operator)
of the Fields Landing Water)
Works to increase rates for)
water serving Fields Landing)

Application No. 33068

George E. Thomson for the applicant;
C. F. Norris for the Commission staff.

O P I N I O N

Coastair Electronics, Inc., a California corporation, operator of the Fields Landing Water Works, filed the above-entitled application on January 19, 1952, for an order of the Commission authorizing increases in measured and flat rates for water service furnished to domestic, commercial, and industrial customers located in Fields Landing, Humboldt County. Applicant's proposed increased rates are set forth in the application. A public hearing in this proceeding was held before Examiner W. W. Dunlop on March 11, 1952 at Fields Landing.

Applicant's Operations

The Fields Landing water system originally was installed about 1890 by Waterman Field and was operated by the Field family until September, 1931, when it was purchased by the Humboldt Golf and Country Club. In 1946, the Redwood Broadcasting Company, Inc., was authorized to acquire the water system which it had operated since November, 1944. The present owner, Coastair Electronics, Inc., acquired the properties in 1948.

Facilities of the applicant for serving water to customers in Fields Landing consist of production, transmission, storage, and distribution equipment. The water supply is obtained from several springs located on land owned by the applicant, lying immediately north of Fields Landing and west of Highway 101. The springs are estimated to yield approximately 130,000 gallons per day. Water from the springs is collected in concrete basins and flows by gravity into a concrete settling basin and sump. Water from the sump is discharged directly into the distribution system by means of an electrically operated turbine pump with the surplus water being delivered into a 37,000-gallon redwood stave tank on a hill above the town. The distribution system has approximately 17,500 feet of mains varying from 3/4 inch to 6 inches in diameter. As of January 1, 1952, the applicant served 134 customers, 112 having metered services and 22 being served on a flat rate basis.

Applicant's Position

In general, the applicant seeks a 43% increase in revenues, or \$2,400 per annum, in order to compensate for labor and materials needed in operating the water works and to provide a reasonable return on the investment made in the water system. Applicant's owner testified that since the rates were established in 1947, the operating expenses have advanced considerably and that the revenues have not increased sufficiently to assure an adequate return on money invested in the property. The applicant claims that operations in 1951 were conducted at a loss amounting to \$427.30. In its balance sheet, as of December 31, 1951, the applicant shows a gross investment in water plant of \$19,798 and reserve for accrued depreciation as \$3,279.

The applicant had outstanding, as of December 31, 1951, capital stock in the amount of \$14,000 (1,400 shares at \$10 par value), all owned by George E. Thomson, owner of Coastair Electronics, Inc. As of the same date, the applicant had outstanding notes payable in the amount of \$1,150, bearing interest at the rate of 6%.

Customer Representation

Cecil Nichols, employed by the Pacific Lumber Company in Fields Landing, while not opposed to a reasonable increase in rates, stressed the need for an adequate water supply in the community for the future. He indicated the extent of growth in the community, including prospective new home and school construction. Of some concern to him was the ability of the applicant to supply fresh water for ships which make use of the docking facilities of the Pacific Lumber Company at Fields Landing. He pointed out that the present water main of the applicant, which connects with facilities owned by the lumber company, was not adequate to supply the large volumes of water required by the ships in a limited time. Another item of complaint was the fact that during periods of heavy rains the water at times becomes discolored.

The evidence shows that the applicant, up to the present time, has been able to supply sufficient water to meet the demands made on its system. An expenditure of \$600 was made in 1951 to drill a new well. However, the water obtained was not suitable for use by the consumers. The applicant plans to develop other water sources, to investigate means of eliminating the complaint of discolored water during periods of heavy rains, and to review with the Pacific Lumber Company feasible means of providing fresh water for ships.

Evidence of Earnings

Both the applicant and the Commission staff presented evidence as to the earnings of the Fields Landing Water Works for the year 1951. The Commission staff also presented an estimate of earnings for the immediate future. These estimates are summarized as follows:

Item	Application Figures		Commission Staff			
	Year 1951		Year 1951 Adj.		Immediate Future	
	Present	Co. Prop.	Present	Co. Prop.	Present	Co. Prop.
	Rates	Rates	Rates	Rates	Rates	Rates
Operating Revenues	\$ 5,580.49	\$ 7,980.00	\$ 5,580.49	\$ 7,830.45	\$ 5,825	\$ 8,175
Operating Expenses						
Excluding Depreciation and Taxes	5,125.79	*	4,363.98	4,363.98	4,140	4,140
Depreciation	657.74	*	657.74	657.74	700	700
Taxes	224.26	*	331.85	1,076.90	416	1,186
Total Expenses	6,007.79	6,520.00	5,353.57	6,098.62	5,256	6,026
Net Operating Rev.	(427.30)	1,400.00	226.92	1,731.83	569	2,149
Avg. Rate Base (Depr.)	17,017.89#	17,017.89#	17,093.00	17,093.00	17,755	17,755
Rate of Return	-	8.23%	1.33%	10.13%	3.20%	12.10%

(Red Figure)

* Not segregated.

Net plant of \$16,519.29 and materials and supplies of \$498.60 as of December 31, 1951.

Both the applicant and the staff computed depreciation expense on the straight-line basis. The rate bases reflect an appraisal of the properties prepared by the Commission's staff as of January 31, 1947, together with additions and retirements to capital accounts subsequent to that date. The staff adjusted the 1951 recorded operating expenses to exclude certain charges for labor and car expense which were considered to be excessive. The staff also presented estimates of revenues, expenses, and rate base under normal operations for the immediate future. Under present rates, the staff showed a rate of return for the immediate future

of 3.2% on a depreciated rate base of \$17,755. Such a return is below the amount reasonably required to permit the applicant to attract successfully capital needed to continue to improve its system and to develop and provide an increased water supply in the Fields Landing Area. Witness for the applicant testified that in order to obtain additional water, it would be necessary for the applicant to purchase more land on which to develop the additional water required to serve adequately new customers. The staff's rate base did not include estimates of capital required to provide additional water supply. Under the circumstances, an additional sum of \$2,245 will be allowed for this purpose in the average depreciated rate base for the immediate future.

In order to provide a rate of return of 6.5% on this system on a depreciated rate base of \$20,000 for the immediate future, which we find to be reasonable, a revenue increase of \$1,125 is required. This increase in revenues is \$1,275 less than requested by the applicant.

Authorized Rates

In developing the rates which will produce the required increase in revenues, 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, company proposed, and authorized rates are summarized in the following tabulation:

Monthly Quantity Charges:	<u>Present</u>	<u>Co. Proposed</u>	<u>Authorized</u>
	<u>Per Meter</u>	<u>Per Month</u>	<u>Per Month</u>
First 400 cu.ft., or less.....	\$ 1.50	\$ 2.00	\$ 1.75
Next 1,600 cu.ft., per 100 cu.ft....	.25	.40	.35
Next 3,000 cu.ft., per 100 cu.ft....	.20	.30	.25
Next 10,000 cu.ft., per 100 cu.ft....	.15	.20	.16
Next 20,000 cu.ft., per 100 cu.ft....	.10	.15	.12
Over 35,000 cu.ft., per 100 cu.ft....	.08	.10	.10

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 1.50	\$ 2.00	\$ 1.75
For 3/4-inch meter	2.50	3.00	3.00
For 1-inch meter	4.50	5.50	5.50
For 1 1/2-inch meter	7.50	9.00	9.00
For 2-inch meter	11.50	14.00	14.00

Flat Rates:	<u>Present</u>	<u>Co. Proposed</u>	<u>Authorized</u>
	<u>Per Month</u>	<u>Per Month</u>	<u>Per Month</u>
Each dwelling including irrigated area of not over 2,500 square feet	\$2.00	\$2.50	\$2.50
Each cabin and no garden irrigation...	1.25	1.50	1.50
Irrigation over 2,500 square feet per 100 square feet05	.05	.05

Conclusion

After reviewing all of the evidence of record in this proceeding it is our conclusion that some increase is necessary and the following order will approve and authorize an increase in the rates in the manner and in the amount according to the findings herein.

O R D E R

Coastair Electronics, Inc., operator of the Fields Landing Water Works, 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, 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 ~~ten~~ (5) day's notice to the Commission and to the public, to make said rates effective for service rendered on and after May 1, 1952.

The effective date of this order shall be ~~twenty~~ (15) days after the date hereof.

Dated at San Francisco, California, this 8th day of April, 1952.

R. J. Zimmerman
President.
Justin F. Craven
Harold P. Hale
Annetha Potter
John E. White
Commissioners.

EXHIBIT A
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Schedule No. 1

METER RATESAPPLICABILITY

Applicable to all water service furnished on a measured basis.

TERRITORY

In and in the vicinity of the unincorporated town of
Fields Landing, Humboldt County.

RATES

Quantity Charge:	Per Meter Per Month
First 400 cu. ft. or less.....	\$ 1.75
Next 1,600 cu. ft., per 100 cu. ft.....	.35
Next 3,000 cu. ft., per 100 cu. ft.....	.25
Next 10,000 cu. ft., per 100 cu. ft.....	.18
Next 20,000 cu. ft., per 100 cu. ft.....	.12
Over 35,000 cu. ft., per 100 cu. ft.....	.10

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 1.75
For 3/4-inch meter.....	3.00
For 1-inch meter.....	5.50
For 1 1/2-inch meter.....	9.00
For 2-inch meter.....	14.00

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

EXHIBIT A
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Schedule No. 2

FLAT RATESAPPLICABILITY

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

TERRITORY

In and in the vicinity of the unincorporated town of Fields Landing, Humboldt County.

RATES

	<u>Per Month</u>
1. For each dwelling including reasonable and necessary quantities of water for an irrigated area of not over 2,500 square feet of lawns, gardens, shrubbery and trees.....	\$ 2.50
2. For each cabin not over two rooms or occupied by more than two people and no garden irrigation.....	1.50
3. For irrigation of grounds, planted to lawns, gardens, shrubbery and trees in excess of 2,500 square feet included in the dwelling rate, and for all land irrigated by cabin occupants, per 100 square feet payable monthly and for the months of May to October, inclusive.....	.05
4. All other services to be charged on a measured basis.	

SPECIAL CONDITIONS

1. Charge for all flat rate service payable in advance.
2. A meter may be installed on any service at the request of the consumer or the option of the utility.