

ORIGINAL

Decision No. 47372

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of LOLETA WATER WORKS of Loleta,) Application No. 33112
California, for Increase of Rates)
for Water Serving Loleta, California.)

Clarence F. Bertsch, applicant in propria
persona; Clyde F. Norris, for the Commission
staff.

O P I N I O N

By the above-entitled application, filed February 5,
1952, Clarence F. Bertsch (Loleta Water Works) seeks an order
of the Commission authorizing an increase in rates for water
service rendered in Loleta, Humboldt County.

A public hearing in the matter was held before Examiner
Emerson on April 30, 1952 at Loleta.

Present and Proposed Rates

Applicant is requesting a gross revenue increase of
approximately 56%. Basic rates, both present and proposed, are
shown in the following tabulation:

METER RATES

Quantity Charge:	Present Rates Per Month	Proposed Rates Per Month
0 to 400 cu.ft.	\$ -	\$2.00
0 to 500 cu.ft.	1.75	-
Next 1,500 cu.ft., per 100 cu.ft..	.30	-
Next 1,600 cu.ft., per 100 cu.ft..	-	.45
Next 2,000 cu.ft., per 100 cu.ft..	.20	.35
Next 6,000 cu.ft., per 100 cu.ft..	.15	.25
Next 15,000 cu.ft., per 100 cu.ft..	.10	.20
Over 25,000 cu.ft., per 100 cu.ft..	.08	.15

FLAT RATES

	<u>Present Rates</u> Per Month	<u>Proposed Rates</u> Per Month
Five room residence, single family	\$1.75	\$2.50
Hotels and lodging houses in addition to family rate, for each room35	.50
For restaurant or dining room at hotel..	3.50	5.00
For small stores	1.75	2.50
For large stores and warehouses	2.65	3.75
For one-chair barbershop	2.25	3.15
For drug stores	1.75	2.50
For bakeries	2.25	3.15
For butcher shops	2.25	4.50
Irrigation of lawns, per 1,000 square feet25	.40

As of January 1, 1952 the system served 142 customers, 100 being served on a flat rate basis and 42 at meter rates.

With the exception of power for pumping and certain other relatively minor operating expenses, applicant's operating expenses consist primarily of personal salary. Applicant's rate request apparently was based on his desire to receive a \$6,000 yearly salary and a return of about 8% on a 1951 net fixed capital of approximately \$26,000.

Description of System

In effect applicant has two separate water distribution systems, although they are connected at one point through a single check valve. One system begins at a group of springs where water is collected and delivered into a 43,000-gallon concrete reservoir from which the water is conveyed through about 3,500 feet of 3-inch pipe to a milk processing plant. The other system, which serves all customers except the milk plant, has another group of springs and a dug well as its source of supply from which water is collected and delivered into a 12,000-gallon concrete settling basin and thence into an adjoining 60,000-gallon concrete reservoir. From this reservoir water is distributed throughout Loleta through

about 21,500 feet of mains varying in size from 3 inches to 1½ inches in diameter. The major portion of this system has pipe of 2-inch diameter or less.

Cost Allegations

Applicant alleged that increased costs of labor and materials and the necessity of his personally devoting more time to the operation and maintenance of the system has placed him in the position of having to sustain an annual loss. In addition, applicant alleged that normal operation of infiltration galleries and of a chlorinating plant would entail increased expenses primarily because of the need for daily inspection of such facilities.

Cost and Revenue Trends

This water system has experienced the same ever-increasing costs of operation as have other utilities in the postwar years. Labor costs have almost trebled while pipe and fittings prices have more than doubled. Applicant's records show that operating expenses have increased from the \$1,858 recorded for the year 1947 to \$6,706 in 1951, an increase of 260%. Revenues totaled \$3,636 in 1947 and \$6,370 in 1951, or an increase of 75%. It is clear that revenues have not kept pace with increased costs. Using recorded figures as to results of operations in the year 1951, as adjusted by the Commission staff engineer in Exhibit No. 4 in this proceeding, a net operating revenue of about \$90 was realized.

Prior Rate Proceedings

In the postwar years applicant has twice previously been before this Commission on rate matters.^{1/} These matters have a direct bearing upon the present proceeding and the decisions therein were made a part of this record by reference.

^{1/} Application No. 26911, Decision No. 38776 in 1946 and Application No. 29505, Decision No. 42079 in 1948.

Compliance with Previous Decisions

In the present proceeding, as well as in the above-mentioned prior proceedings, one or more consumers testified that during the summer months they have experienced low water pressure and a shortage of supply. Apparently at such times applicant has posted a notice on the community bulletin board requesting curtailment of usage by all except the industrial user during such periods. Such practice is contrary to our opinion in Decision No. 38776, issued March 19, 1946, wherein, in discussing the factors attendant upon applicant's serving the milk processing plant, we stated, "In the event, however, of any shortage of water from the utility's sources, it is agreed by and between the Golden State Company, Ltd. and Mr. Bertsch that the regular domestic and commercial users in the Town of Loleta will be given preferential rights to water service and that the said company will be entitled only to secondary rights in case of such shortage." Applicant is bound by such agreement. His first duty is to supply adequately his regular domestic and commercial customers, as above stated. If any curtailment of usage is necessary, as the result of a shortage of supply, applicant must first curtail industrial usage. His utmost effort should be exerted toward adequately supplying the nonindustrial consumers whose water needs, in this instance, are paramount.

Service Complaints

One consumer witness testified in this proceeding that she and her neighbors had insufficient water pressure and that of all those affected only she appeared to complain because of the general belief that complaints at this time would receive no more attention than had been given them in the past. No objection to increased rates was made, however, provided a reasonably adequate service were to be rendered.

Performance in Meeting System Needs

In the present proceeding applicant places emphasis on the need for a chlorinating plant, infiltration galleries for the springs and certain other system improvements. Similar emphasis was made in the 1948 rate proceeding and some \$7,800 in improvements were scheduled at that time for the same improvements now urged as requiring a further upward revision of rates. Scheduled for installation at the time of the last proceeding were 1,200 feet of 4-inch main which were then needed as a means of improving pressures. The proposed installations have not yet been made, although the same need still exists.

Results of Operations

The evidence in this proceeding indicates that during 1952 applicant's operating revenues will be approximately \$6,500 if present rates are continued. During the same period, normal operating expenses, including all taxes and a straight-line depreciation annuity, should not exceed \$5,900. The net revenue of \$600 resulting, when related to a depreciated rate base of \$27,598 as developed by the staff engineer, indicates a rate of return of slightly over 2%. For a 12 months' period in the immediate future and at the rates proposed by applicant, the staff estimated that a net revenue of \$3,232 would be received and a resulting rate of return of 11.71% would be realized.

Conclusions

This Commission may and does require that each and every public utility system furnish an adequate supply of potable water to its consumers. While a utility should not operate at a loss, the Commission can authorize rates which are predicated on the standards and adequacy of the service furnished and upon the improvements that will produce a supply of water adequate for the

reasonable uses of its patrons. The request that a \$6,000 personal salary for the sole proprietor be included as an operating expense for a utility with only 142 consumers, however, is not reasonable. Nor is it reasonable that the utility's consumers be required to pay high water rates for less than complete or adequate service. We conclude that applicant's rate request is not justified and should be denied.

Applicant's failure to make the system improvements which applicant has repeatedly stated are necessary and would be installed, but which have not yet been undertaken, cannot pass unnoticed. Upon installation and satisfactory operation of facilities to assure an uninterrupted supply of safe and potable water at pressures adequate to the reasonable needs of domestic and commercial customers, applicant may be entitled to rate relief and may at that time file a supplemental application herein.

O R D E R

Clarence F. Bertsch (Loleta Water Works) having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in Loleta, Humboldt County, a public hearing having been held and the matter having been submitted for decision,

IT IS HEREBY ORDERED that the application herein be,
and it is hereby, denied.

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

Dated at San Francisco, California, this 30th day of
June, 1952.

R. E. [Signature]
President.

Harold A. [Signature]

Frederick [Signature]

John E. [Signature]

Commissioners.

Commissioner Justus F. Craemer, being
necessarily absent, did not participate
in the disposition of this proceeding.