

**ORIGINAL**Decision No. 48395

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Donald E. Bouey, for Applicant Clarence F. Bertsch,  
sole owner of Loleta Water Works  
Charles A. Holman, for a group of 55 customers of  
Loleta Water Works, as protestants.  
Clyde F. Norris, for the Commission staff.

OPINION ON REHEARING

On June 30, 1952, by Decision No. 47372 this Commission denied applicant's request for authorization to increase its rates for water service. A petition for rehearing was filed on July 7, 1952, by applicant. By order dated September 2, 1952, the petition was granted and further hearing was set. The rehearing was held before Examiner Cline in Loleta on January 29, 1953.

Present and Proposed Rates

On rehearing the evidence again showed that applicant is requesting a gross revenue increase of approximately 56 per cent. The following is a tabulation of the basic rates, both present and proposed:

METER RATES

<u>Quantity Rates</u>	<u>Present Rates</u> <u>Per Month</u>	<u>Proposed Rates</u> <u>Per Month</u>
First 400 cu. ft. or less	\$----	\$2.00
First 500 cu. ft. or less	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

	<u>Present Rates</u> Per Month	<u>Proposed Rates</u> Per Month
<u>Minimum Charge</u>		
5/8 x 3/4-inch meter	\$ 1.75	\$ 2.00
3/4-inch meter	2.50	3.00
1-inch meter	3.50	5.00

FLAT RATES

Five room residence, single family	1.75	2.50
Hotels and lodging houses in addition to family rate, for each room	.35	.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 barbershops	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 feet	.25	.40

Applicant is now serving 97 customers on a flat rate basis and 48 on a meter rate basis making a total of 145 customers, an increase of three customers since January 1, 1952.

Results of Operation

According to applicant's Exhibit No. 7 the system operated at a loss of \$169.58 during the year 1952 before payment of interest on funded debt. The Commission staff engineer made certain adjustments which reduced this operating loss to \$52.06 as shown on Exhibit No. 9. At requested rates the net operating revenue for 1952 would have been approximately \$2,657 which would result in a rate of return of 9.26 per cent on an average depreciated rate base of \$28,690, as estimated by the staff engineer.

The estimates of the Commission staff engineer for the year 1953 at present rates showed a net operating revenue of \$12 and at proposed rates a net operating revenue of \$2,831. On an average depreciated rate base of \$29,884, the estimated rate of return at the proposed rates for this same period would be 9.47 per cent.

Included in operating expenses is the salary of applicant Bertsch in the amount of \$2,700 of which \$2,100 is for supervision

and operation of the water system and \$600 is for bookkeeping services. Applicant Bertsch testified that with this salary he doesn't earn over \$1.85 per hour and that he wouldn't consider operating the system for someone else for \$2,700 per year. He supplements his income by driving the school bus.

Applicant is entitled to some increase in rates but not to an increase which will allow him a rate of return of 9.47 per cent. The rates set forth in Exhibit A which will be authorized are estimated to produce gross revenues of \$9,100 and a net revenue after income taxes of \$1,861. The rate of return on an average depreciated rate base of \$29,884 will be approximately 6.23 per cent. We hereby adopt said rate base of \$29,884 and find the rate of return of 6.23 per cent is reasonable. The rates set forth in Exhibit A are hereby found to be reasonable.

#### Improvements to System

In the 1948 rate proceeding some \$7,800 in improvements were scheduled. Not all of these improvements have been made but the record shows that since 1948 applicant has spent approximately \$7,000 on improvements including approximately \$4,000 on improvements made in 1952.

A two-inch water service and pressure system for the new school was installed in 1949. During 1950 applicant replaced some inadequate size mains with pipe of larger diameter.

Applicant has drilled two new wells. One of these wells was drilled to a depth of about 60 feet where water was found but not in quantity considered to be entirely satisfactory. A subsequent test hole drilled adjacent to this well indicates that a more productive zone can be reached by deepening this well another 50 to 60 feet which is planned to be done in the next month or so. The other well drilled has been abandoned as the quantity of water found was unsatisfactory. During 1952 applicant has acquired and installed new pumping equipment at a cost of \$1,033.63, and has spent \$741.36 on building structures, \$312.88 on wells, \$357.78 on distribution

mains, \$450.03 on services and \$254.40 on meters. Applicant also has purchased a new chlorinating plant at a cost of \$767.91 which has not yet been installed.

Applicant testified that a large amount of pipe in the system is now obsolete and must be replaced with larger diameter mains. Many more replacements and improvements are needed but applicant has exhausted his credit in making the improvements outlined above. The banks have refused to lend applicant further funds until the water rates have been adjusted to permit the system to earn a reasonable rate of return.

#### Service

Several consumer witnesses testified at the hearing. There was introduced into evidence a petition signed by 55 consumers protesting any increase in rates until there is great improvement in the quality of water furnished.

The consumer witnesses testified that, at various times during the year, especially the rainy season, water is discolored and contains considerable amounts of sediment. Also, during the summer months the water pressure is low and sometimes service is interrupted at certain times of the day on some sections of the system.

The record clearly shows that applicant should make every reasonable effort to improve the quality of the water served the domestic consumers by providing appropriate filters and other devices as soon as he is financially able. The testimony of the consumers indicates that they are willing to pay increased rates provided the quality of the water is materially improved.

The portion of the system which normally serves only the Golden State plant is separate from the portion serving the domestic consumers. The water served this plant is not suitable for domestic use unless treated. However, when there is an inadequate supply of water to meet the demands of the domestic consumers the Department of Public Health grants the utility temporary permission to use the

water provided by the portion of the system which normally serves only the industrial plant. Ultimately applicant plans to chlorinate the industrial supply so that both systems may be operated as one.

Conclusion

The record shows that applicant has made considerable improvements in his water system subsequent to the 1948 rate proceeding and subsequent to the first hearing on the application herein. Further improvements should be made in the system. To reestablish applicant's credit and to enable him to receive a reasonable return on his investment in the system applicant will be authorized to charge the rates set forth in Exhibit A attached hereto. Applicant also will be authorized to file with the Commission, as a part of his tariff schedules, the standard rules and regulations suggested by the Commission staff.

O R D E R

The petition of Clarence F. Bertsch, applicant herein, for a rehearing in this proceeding having been granted, such rehearing having been held, additional evidence having been introduced, 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; therefore,

IT IS HEREBY ORDERED that the order denying the application herein, set forth in Decision No. 47372, dated June 30, 1952, be and it is hereby set aside, and

IT IS HEREBY FURTHER ORDERED that applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with General Order No. 96, the schedules of rates shown in Exhibit A attached hereto and the standard rules and regulations suggested by the Commission staff, and, after not less than five days' notice to the Commission and the public,

to make said rates, rules and regulations effective for service rendered on and after May 1, 1953.

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

Dated at San Francisco, California, this 24<sup>th</sup> day of March, 1953.

[Signature]  
President

[Signature]

[Signature]

[Signature]

[Signature]  
Commissioners

EXHIBIT A  
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## Schedule No. 1

GENERAL METERED WATER SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the unincorporated town of Loleta and vicinity, Humboldt County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less .....	\$2.00
Next 1,500 cu.ft., per 100 cu.ft. ....	.35
Next 2,000 cu.ft., per 100 cu.ft. ....	.30
Next 6,000 cu.ft., per 100 cu.ft. ....	.25
Next 15,000 cu.ft., per 100 cu.ft. ....	.15
Over 25,000 cu.ft., per 100 cu.ft. ....	.12
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$2.00
For 3/4-inch meter .....	2.75
For 1-inch meter .....	3.50
For 1-1/2-inch meter .....	7.50
For 2-inch meter .....	10.00
For 3-inch meter .....	20.00
For 4-inch meter .....	40.00

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

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Schedule No. 2

FLAT RATE WATER SERVICE

APPLICABILITY

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

TERRITORY

Within the unincorporated town of Loleta and vicinity, Humboldt County.

RATES

	<u>Per Month</u>
1. For each single family residence of not more than five rooms .....	\$2.25
In addition to the basic charge:	
For each room over five .....	.15
For each bathtub .....	.20
For each toilet .....	.25
For irrigation of lawns, gardens and shrubs during each of the months of May through September, inclusive, per 1,000 square feet .....	.30
2. For each hotel, motel or lodging house .....	2.25
In addition to the basic charge:	
For each room with water tap .....	.40
For each room without water tap .....	.20
For restaurant or dining room in connection therewith .....	5.00
3. For each barber shop, with one chair .....	2.40
For each additional chair .....	.60

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## Schedule No. 2

FLAT RATE WATER SERVICE

(Continued)

<u>RATES (Cont.)</u>	<u>Per Month</u>
4. For each drug store .....	\$2.25
5. For each soda fountain establishment operated either alone or with another business .....	3.00
6. For each service station .....	2.25
7. For each commercial establishment other than above classifications .....	3.25
8. For schools, based upon an average attendance, per pupil .....	.08
9. In addition to basic charges in above classi- fications 2 to 7, inclusive:	
For each room with water tap, occupied as an office in a commercial building .....	.50
10. In addition to basic charge in above classi- fications 2 to 9, inclusive:	
For each urinal, bathtub or toilet .....	.60

SPECIAL CONDITIONS

1. All service not covered by above classifications will be furnished only on a metered basis.

2. Meters may be installed at option of the utility or customer for above classifications in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Water Service.