

Decision No. 49174**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
 E. J. GUIDOTTI, doing business under)
 the fictitious name and style of)
 ARMSTRONG VALLEY WATER COMPANY, for)
 authority to increase water rates)
 for water service in the unincorpor-)
 ated area known as Armstrong Woods)
 Valley and Lone Mountain Subdivision)
 (near Guerneville), Sonoma County.)

Application No. 34188

J. N. De Meo of De Meo & De Meo, for applicant.
Martin Abramson, for the Commission staff.

O P I N I O N

On March 27, 1953, applicant filed his application for authority (1) to increase rates being charged for service rendered his customers in the unincorporated area known as Armstrong Woods Valley and Lone Mountain Subdivision in Sonoma County near Guerneville, (2) to file fire hydrant rates, and (3) to amend extension Rule and Regulation No. 19. A public hearing was held before Examiner W. E. Cline, Thursday, August 6, 1953, at Guerneville. The matter was submitted August 14, 1953, after receipt of late-filed Exhibit No. 2 and the filing of the affidavit of service of notice of hearing by mail.

Description of System

The system was installed originally in 1946 in connection with a real estate development, and since that time other residents in the area have been connected to the system. As of December 31, 1952, applicant had 76 metered services and 14 fire hydrants.

The system receives its water from two wells. Well No. 1 is 7 inches in diameter and 61 feet deep, and is maintained on a

standby basis. Well No. 2 is 12 inches in diameter and 108 feet deep. Both wells are equipped with electrically operated pumps and discharge water directly into the distribution system with the surplus being pumped into two elevated tanks, one a 5,800-gallon wood tank and the other a 25,000-gallon steel tank. A 2-inch line is also available to carry the water directly from the source of supply to these two tanks. As of December 31, 1952, the applicant had approximately 17,000 feet of mains varying in size from 1 to 4 inches in diameter.

The table below sets forth applicant's present and proposed rates.

Quantity Rates:

	<u>Per Meter per Month</u>	
	<u>Present</u>	<u>Proposed</u>
In excess of minimum		
up to 1,600 cu.ft., per 100 cu.ft.	\$.375	\$ -
Over 1,600 cu.ft., per 100 cu.ft.	.25	-
In excess of minimum		
up to 5,000 cu.ft., per 100 cu.ft.	-	.375
Over 5,000 cu.ft., per 100 cu.ft.	-	.25

Minimum Charge:

	<u>Per Meter per Year</u>	
	<u>Present</u>	<u>Proposed</u>
For 5/8 x 3/4-inch meter	\$18.00	\$ 24.00
For 3/4-inch meter	36.00	48.00
For 1-inch meter	72.00	96.00
For 1 1/2-inch meter	-	144.00
For 2-inch meter	-	244.00

Under the present rates the minimum charge will entitle the consumer to the quantity of water each month which one twelfth times the annual minimum charge will purchase at the quantity rates. Under the proposed rates the applicant requests the following quantity allowance for the minimum charge.

	<u>Cubic Feet</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter	400
For 3/4-inch meter	800
For 1-inch meter	1,600
For 1 1/2-inch meter	2,400
For 2-inch meter	4,000

Applicant at present has no rate schedule on file with the Commission for fire hydrant service but has been collecting hydrant revenue under an agreement with the Guerneville Fire District. The following proposed charges represent no increase in rates from those presently being collected from the fire district.

	<u>Per Year</u>
Flat charge for eight 2-inch hydrants and two 2½-inch outlets on 4-inch or larger mains	\$284
For each additional 2-inch hydrant ..	15
For each additional 2½-inch hydrant on 4-inch or larger mains	36

Results of Operation

Applicant's estimated revenues for the year 1953 at proposed rates amount to \$3,322.74 and the estimated expenses amount to \$2,005.97, leaving an estimated net profit of \$1,316.77. On a net invested capital of \$21,481.65 after depreciation, applicant's estimated rate of return at proposed rates is 6.81 per cent. No amount was allowed in expenses for the time of applicant. He estimates that 25 per cent of his time is spent working on the water system in one capacity or another.

The Commission staff engineer computed depreciation on a straight-line remaining life basis. His estimate of average service life in some cases exceeded the estimates used by the applicant. Depreciation expense for the year 1953 was estimated by the staff engineer at \$705. This expense results in a composite annual depreciation rate of 3.10 per cent of the depreciable plant. The order which follows will require applicant to base future book depreciation accruals on the composite rate developed by the staff engineer as indicated above.

The estimates of the Commission staff engineer for the year 1953, at present rates, showed a net revenue of \$115 and at

proposed rates a net revenue of \$625. As expense for the time and labor of applicant spent in connection with the water system the staff engineer allowed \$740 for 1953, an amount comparable to other water utilities of similar size and character, which is considered to be reasonable. On the estimated average depreciated rate base of \$20,290 the estimated rate of return at proposed rates for this period would be 3.08 per cent. We hereby adopt said rate base of \$20,290 and find that the rate of return of 3.08 per cent is not in excess of a reasonable return.

The rates set forth in Exhibit A attached hereto provide the usual method of determining the quantity allowance for the minimum charge rather than the minimum quantities proposed by applicant. As the services other than fire hydrant are metered the following special condition will not be authorized:

"A separate service charge will be made for each residence, hotel, resort, store, or camp to which water is furnished."

The rates set forth in said Exhibit A also attached hereto are otherwise slightly different from those proposed by applicant but will produce substantially the same amount of revenue. They are hereby found to be reasonable and will be authorized.

Rule and Regulation No. 19

Applicant proposes to amend his Rule and Regulation No. 19-A relating to extensions by inserting "fifty feet" in lieu of "one hundred feet" wherever "one hundred feet" appears in said rule and regulation. He also proposes to amend Rule and Regulation No. 19-B to provide:

"For a period not exceeding ten years from the date of completion of the main extension, the company will refund to the depositor, or other party entitled thereto, annually, twenty-five per cent of the gross revenues collected from

consumer or consumers occupying the property to which the said extension has been made; provided, however, that the total payments thus made by the company shall not exceed the amount of the original deposit without interest."

instead of the 35 per cent as presently required.

Such amendments to the extension rule, if granted, would reduce the free footage to individuals, and the percentage of gross revenue refundable annually to subdividers substantially below corresponding provisions of other privately owned water utilities throughout the state. It is desirable that there be basic uniformity of the main extension rules of various water utilities in so far as justified by the particular circumstances. Neither applicant nor the Commission staff has made any study to determine whether the proposed amendments are warranted. The present record does not support the granting of authorization to applicant to file the proposed amendments to Rule No. 19.

Service

Three consumers testified at the hearing regarding the water service. An iron acid condition makes the water in this area discolored and odorous on occasion, particularly near the dead ends of the water lines. Some of the consumers have found it necessary to install filters and to boil the water which they use for drinking and cooking purposes. Applicant is aware of the condition of the water and proposes to take whatever reasonable measures he can to correct the situation. The record shows that the condition is remedied to some extent by flushing out the lines. Applicant should continue regularly to flush out those lines where flushing is helpful. Wherever practicable dead-end lines should be eliminated. Applicant should continue to study methods of improving the quality of the water and use every practicable means to do so.

Accounting

Applicant should install a simplified system of work orders so as properly to account for all additions and retirements to plant.

O R D E R

The above-entitled application having been considered, 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; therefore,

IT IS HEREBY 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, together with rules and regulations and tariff service area map acceptable to this Commission, and, on not less than five days' notice to the public and to this Commission, make said rates, rules and regulations effective for all water service rendered on and after November 1, 1953.

IT IS HEREBY FURTHER ORDERED that:

1. Applicant shall file with this Commission, within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 300 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.
2. Applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicant shall use a composite annual depreciation rate of 3.10 per cent of the depreciable plant until further review supports modification of this composite rate; further, applicant shall review such accruals when major changes in plant composition occur and for each

plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

Except to the extent granted by this order, the application herein is denied.

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

Dated at San Francisco, California, this 10th day of (October), 1953.

[Signature]
President
Justin J. Caserio
Bessette Potter
John E. Mitchell

Commissioners

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Armstrong Woods Valley, Lone Mountain Subdivision and vicinity, located approximately $1\frac{1}{2}$ miles north of the city limits of Guerneville, Sonoma County.

RATES

Monthly Quantity Rates:	Per Meter Per Month
First 400 cu.ft. or less	\$ 2.00
Next 1,600 cu.ft., per 100 cu.ft.40
Next 3,000 cu.ft., per 100 cu.ft.35
Over 5,000 cu.ft., per 100 cu.ft.25
Annual Minimum Charge:	Per Meter Per Year
For $5/8$ x $3/4$ -inch meter	\$ 24.00
For $3/4$ -inch meter	36.00
For 1-inch meter	72.00
For $1\frac{1}{2}$ -inch meter	120.00
For 2-inch meter	180.00

The Annual Minimum Charge will entitle the consumer to a monthly quantity of water which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing July 1st and are due in advance. A customer who has established his permanency by having paid for service during the

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICE

SPECIAL CONDITIONS—contd.

preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.

2. When the annual minimum charge is paid annually in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative monthly consumption basis.

Schedule No. 2

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire protection service rendered to municipalities, duly organized or incorporated fire districts, or other political subdivisions when contracts have been entered into for such service.

TERRITORY

The unincorporated community of Armstrong Woods Valley, Lone Mountain Subdivision and vicinity, located approximately 1½ miles north of the city limits of Guerneville, Sonoma County.

RATES

	<u>Per Year</u>
Guerneville Fire District:	
Flat rate charge for	
8 2-inch outlet hydrants, and	
2 2½-inch outlet hydrants	
(on 4-inch or larger mains)	\$284.00
Each additional 2-inch outlet hydrant	15.00
Each additional 2½-inch outlet hydrant	
(on 4-inch or larger mains)	36.00

SPECIAL CONDITIONS

1. The above rate includes use of water for fire fighting and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges will be made at the monthly quantity rates under the General Metered Service schedule.

2. The Company will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.