

**ORIGINAL**Decision No. 50841

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ARTHUR W. NICHOLLS, )  
 Owner of the DUTCH FLAT WATER WORKS, )  
 for authority to increase rates for )  
 water service rendered to its )  
 customers in Dutch Flat, Placer )  
 County, California. )

Application No. 35852

OPINION AND ORDER

Arthur W. Nicholls (Dutch Flat Water Works) by the above-entitled application filed October 11, 1954, requests authority to increase rates charged for water service rendered to consumers located in the lower portion of the Townsite of Dutch Flat and adjacent territory in Placer County.

Water purchased from the Pacific Gas and Electric Company is the sole source of water supply to applicant's water system. By Decision No. 50248, issued July 6, 1954, in Application No. 34449, the Commission authorized a general increase in the rates and charges for water service, including untreated water supplied for resale service, rendered by the Pacific Gas and Electric Company in its Placer Water System, to become effective January 1, 1955. The effect on applicant is to increase the cost of water computed at \$633 and \$587 for the quantities delivered in the years 1952 and 1953, respectively, and estimated at \$670 for the year 1954, representing an average increase of about 280 per cent. Applicant now requests an increase in rates to become effective January 1, 1955 in order to provide additional revenue with which to meet this increased cost of operation.

The proposed new flat rate schedules differ slightly in form from the present schedules while the proposed new meter rate schedules are in the same form as the present schedules. Applicant's present and proposed rates, for typical usages, are compared in the following tabulation:

General Meter Rates - Permanent Residents

Description	Per Meter per Month			
	Present Rates	Proposed Rates	Increase Amount	Increase Per Cent
<u>Typical Monthly Usage</u>				
For 600 cu.ft. or less .....	\$2.25	\$3.00	\$0.75	33.3%
For 1,000 cubic feet .....	2.85	3.60	0.75	26.3
For 5,000 cubic feet .....	6.55	7.30	0.75	11.5
For 10,000 cubic feet .....	9.55	10.30	0.75	7.9

General Meter Rates - Nonpermanent Residents

Description	Per Service Connection			
	Present Rates	Proposed Rates	Increase Amount	Increase Per Cent
<u>Minimum Annual Charge</u>				
For water service for a period of any number of consecutive months in the calendar year at the schedule of General Meter Rates for permanent residents .....	\$16.00	\$24.00	\$8.00	50.0%
For the intermittent use of water during the six-month period from November through April, where payment of the minimum annual charge has been made during the six-month period from May through October, inclusive .....	6.00	9.00	3.00	50.0
or, if period is less than six months, per month .....	1.00	1.50	0.50	50.0

General Flat Rates - Permanent Residents

Description	Per Service per Month			
	Present Rates	Proposed Rates	Increase Amount	Increase Per Cent
Cabins of two rooms or less .....	\$1.40	\$1.70	\$0.30	21.4%
With toilet and tub or shower bath .....	1.80	2.00	0.20	11.1
Residence of three rooms or more.....	1.75	2.40	0.65	37.1
With toilet and tub or shower bath..	2.15	2.80	0.65	30.2
Small stores or business places with lavatory and flush toilet.....	2.70	3.50	0.80	29.6
Lodge rooms, assembly halls with kitchen and flush toilets .....	2.50	3.00	0.50	20.0

General Flat Rates - Nonpermanent Residents

Description	Per Service Connection			
	Present	Proposed	Increase	
	Rates	Rates	Amount	Per Cent

Minimum Annual Charge

For water service for a period of any number of consecutive months in the calendar year at the rates provided in the schedule of General Flat Rates for permanent residents.. \$17.50 \$22.40 \$4.90 28.0%

For the intermittent use of water during the six-month period from November through April for summer homes where payment of not less than the minimum annual charge has been made during the six-month period from May through October, inclusive ..... 6.00 9.00 3.00 50.0  
 or, if period is less than six months, per month ..... 1.00 1.50 0.50 50.0

For both of the years 1952 and 1953 there were 98 units connected to the water system, of which only 89 were active customers. Of these latter, approximately 60 per cent were permanent residents served with water during the entire year, the other 40 per cent being nonpermanent residents supplied on a part-time basis. About 49 customers are furnished with water at meter rates, the remaining 40 being supplied at flat rates. The system has experienced little or no growth during the past several years nor is future growth presently foreseeable.

From exhibits attached to the application, the following summary has been prepared to show amounts recorded on

applicant's books and as reflected in annual reports to the Commission for the years 1951, 1952 and 1953.

Item	1951	1952	1953
<u>Fixed Capital in Service</u>			
At Beginning of Year	\$5,163.69	\$5,333.53	\$5,473.77
Additions During Year	193.91	152.44	39.41
Retirements During Year	24.07	12.20	12.65
At End of Year	5,333.53	5,473.77	5,500.53
Inventory, Materials and Supplies, End of Year	499.87	502.40	490.06
Reserve for Depreciation, End of Year	137.53	172.68	208.01
<u>Operating Revenues</u>			
Flat Rate	728.20 <sup>a</sup>	857.23	881.45
Meter Rate	1,063.28 <sup>a</sup>	1,585.12	1,468.73
Total Revenues	1,791.48	2,442.35	2,350.18
<u>Operating Expenses</u>			
Purchased Water	324.48	226.56	209.12
Reservoir Rent	50.00	50.00	50.00
Transmission and Distribution	631.74	645.05	611.12
Collection and Billing	361.69	515.80	531.86
General Expense	269.15	224.02	233.56
Taxes: Property, Soc. Sec. and Empl. Income	80.84 3.67	80.47 144.95	72.12 134.77
Depreciation: On Meters only	31.25	35.33	35.33
Other (Retirements)	24.07	12.20	0.00
Total Expenses	1,776.89	1,934.38	1,877.88
Net Operating Revenues	14.59	507.97	472.30

a. Rate increase became effective December 1, 1951.

During the past eight years applicant has not charged depreciation expense on total depreciable plant but only on the meter account. This method of accounting for depreciation has resulted in the accumulation of an inadequate depreciation reserve. Applicant states that as of January 1, 1954, and continuing thereafter until further review of such depreciation practice by the Commission, applicant will apply a composite rate of 2.65 per cent to the average of the beginning- and end-of-year balances of depreciable plant, in order to arrive at the amount of annual depreciation expense and the addition to the depreciation reserve to be reflected annually thereafter.

Based on the inclusion of amounts for depreciation expense for the years 1953 and 1954, computed in accordance with the above, the application shows a summary of earnings, utilizing estimates of operating revenues, cost of water and other expenses for those years. The results of operations, reflecting the increased cost of purchased water and the rates for water service as presently effective and as proposed by applicant, are as follows:

Results of Operations

Item	Year 1953			1954 Estimated	
	At Present Rates Recorded	Proposed Adjusted	Proposed Rates	Present Rates	Proposed Rates
<u>Operating Revenues</u>					
Flat Rate	\$ 881.45	\$ 881	\$1,074	\$ 850	\$1,030
Meter Rate	1,468.73	1,469	1,865	1,530	1,940
Total	2,350.18	2,350	2,939	2,380	2,970
<u>Operating Expenses</u>					
Purchased Water	209.12 <sup>a</sup>	796 <sup>b</sup>	796 <sup>b</sup>	910 <sup>b</sup>	910 <sup>b</sup>
Other Expenses	1,426.54	1,426	1,426	1,495	1,495
Taxes	206.89	72	183	80	165
Depreciation	35.33	145	145	150	150
Total	1,877.88	2,439	2,550	2,635	2,720
Net Operating Revenue	472.30	(89)	389	(255)	250
<u>Average Rate Base</u>					
Average Fixed Capital	5,487.15	5,487	5,487	5,581	5,581
Average Mats. & Sups.	496.23	496	496	443	443
Average Depr. Reserve	(190.35)	(190)	(190)	(281)	(281)
Aver. Depr. Rate Base	5,793.03	5,793	5,793	5,743	5,743
Rate of Return	8.15%	(Loss)	6.71%	(Loss)	4.35%

(Inverse Item)

- a. Cost of water at present Pacific Gas and Electric Company rates.
- b. Cost of water at rates effective January 1, 1955.

The above tabulation does not include any proration of certain extraordinary expenses incurred by applicant in 1954 nor does the rate base include any amount for working cash. Had these items been included, the rate of return would be somewhat lower than indicated above.

The Commission staff has reviewed the exhibits attached to the application and finds them to be accurate and the conclusions therein to be reasonable.

It appears that increases in revenues should be authorized promptly if a serious adverse reduction in earning position is to be avoided. Applicant's proposed rates appear to be reasonable and will be authorized, except that the present form of the flat rate schedules will be retained.

The Commission having considered the above-entitled application and being of the opinion that applicant is in need of and entitled to increased revenues and that the rates which applicant requests be made effective, as modified herein, are just and reasonable, it is found that the request of applicant should be granted. The Commission being of the further opinion that a public hearing herein is not necessary,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that the existing rates, in so far as they differ from those herein authorized, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedules of rates set forth in Appendix A attached to this order and, after not less than five

days' notice to the public and to this Commission, to make said rates effective for service rendered on and after January 1, 1955.

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

Dated at San Francisco, California, this 7<sup>th</sup> day of DECEMBER, 1954.

Arthur E. Mitchell  
President  
Justus F. Casner  
Kenneth F. Feltner  
Jeane Duggins  
Paulo L. L. L. L.  
Commissioners

APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICE - PERMANENT RESIDENTSAPPLICABILITY

Applicable to all metered water service rendered to permanent residents.

TERRITORY

The unincorporated community of Dutch Flat and adjacent territory, Placer County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 600 cu.ft. or less .....	\$3.00
Next 1,400 cu.ft., per 100 cu.ft.....	.15
Next 1,000 cu.ft., per 100 cu.ft.....	.10
Over 3,000 cu.ft., per 100 cu.ft.....	.06
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$3.00
For 3/4-inch meter .....	4.00
For 1-inch meter .....	5.50
For 1-1/2-inch meter .....	7.00

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



Schedule No. 2

GENERAL METERED SERVICE - NONPERMANENT RESIDENTS

APPLICABILITY

Applicable to all metered water service rendered to nonpermanent residents.

TERRITORY

The unincorporated community of Dutch Flat and adjacent territory, Placer County.

RATES

	<u>Per Meter</u>
Minimum Annual Charge, payable in advance, for which the customer is entitled to water service for a period of any number of consecutive months in the calendar year at the rates provided in Schedule No. 1 .....	\$24.00
For the intermittent use of water on week ends and holidays during the six-month period, November to April, inclusive, on the premises of customers where payment of not less than the Minimum Annual Charge of \$24.00 has been made during the six-month period, May to October, inclusive, payable in advance .....	9.00
or, if period is less than six months, per month .....	1.50

SPECIAL CONDITIONS

1. For any excess of service over and above the Minimum Annual Charge of \$24.00 during the months of May to October, inclusive, or for any single month of service thereafter, the rates provided in Schedule No. 1, General Metered Service - Permanent Residents, will apply.

2. If more than 300 cubic feet of water is used in any month during the six-month period, November to April, inclusive, the charge will be at the rates as provided in Schedule No. 1, General Metered Service - Permanent Residents.

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## Schedule No. 3

GENERAL FLAT RATE SERVICE - PERMANENT RESIDENTSAPPLICABILITY

Applicable to all flat rate water service rendered to permanent residents.

TERRITORY

The unincorporated community of Dutch Flat and adjacent territory, Placer County.

RATES

	<u>Per Service Connection per Month</u>
1. For each cabin of two rooms or less .....	\$1.70
a. In addition, for each flush toilet .....	.15
b. In addition, for each bathtub or shower bath ...	.15
2. For each residence of three rooms or more .....	\$2.40
a. In addition, for each flush toilet .....	.20
b. In addition, for each bathtub or shower bath ...	.20
3. For sprinkling or irrigation of lawns, shrubbery and gardens, payable for the six-month period, May to October, inclusive:	
For the first 1,000 sq. ft. or less of irrigated area	\$0.60
For all over 1,000 sq. ft., per 100 sq. ft. of irrigated area .....	.06
4. For each small store or business place, including lavatory .....	\$3.10
a. In addition, for each flush toilet .....	.20
b. In addition, for each bathtub or shower bath ...	.20
5. For each lodge room or assembly hall, including kitchen and toilets .....	\$3.00

SPECIAL CONDITION

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

Schedule No. 4

GENERAL FLAT RATE SERVICE - NONPERMANENT RESIDENTS

APPLICABILITY

Applicable to all flat rate water service rendered to nonpermanent residents.

TERRITORY

The unincorporated community of Dutch Flat and adjacent territory, Placer County.

RATES

Per Service Connection

Minimum Annual Charge, payable in advance, for which the customer is entitled to water service for a period of any number of consecutive months in the calendar year at the rates provided in Schedule No. 3 .....	\$22.40
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For the intermittent use of water on week ends and holidays during the six-month period, November to April, inclusive, on the premises of customers where payment of not less than the Minimum Annual Charge of \$22.40 has been made for the six-month period, May to October, inclusive, payable in advance .....	9.00
or, if period is less than six months, per month	1.50

SPECIAL CONDITIONS

1: For any excess of service over and above the Minimum Annual Charge of \$22.40 during the months of May to October, inclusive, or for single months of continuous service thereafter, the rates provided in Schedule No: 3; General Flat Rate Service - Permanent Residents, will apply.

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