

ORIGINAL

Decision No. 5084S

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Louis A. Veit, et al,
 Complainants,
 vs.
 The Rohnerville Water Works,
 Defendant.

Case No. 5453

Application of Thelma B. Wood request-
 ing permission for extension of her
 Campton Heights Water Service area by
 reason of continued requests for water
 service from customers of The
 Rohnerville Water Works owned by
 Melvin J. Strong.

Application No. 34322

In the Matter of the Application of
 M. H. Strong, doing business as
 Rohnerville Water Works, for authority
 to increase his water rates under the
 provisions of Section 454 of the
 Public Utilities Code.

Application No. 35012

M. H. Strong, applicant and defendant; Thelma
 B. Wood, applicant.
Ethel L. Veit, for complainants.
John D. Reader, for the Commission staff.

O P I N I O N

Nature of Instant Proceeding

In order that all issues involved in the correlative
 proceedings, as above-entitled, might be considered at the same
 time this Commission, by order issued September 3, 1954,
 consolidated the matters for hearing.

Decision No. 48929, issued on August 4, 1953 in Case No. 5453 and Application No. 34322, directed that Melvin H. Strong and Leona M. Strong make certain improvements in the Rohnerville Water Works system. It also ordered that submission of Thelma B. Wood's application for authority to extend service into the same area be set aside, provided that, if the Strong's failed to comply with the order, the application should thereupon be resubmitted.

Decision No. 49801 was issued on March 16, 1954, being an order on a petition for modification of the 1953 decision. The 1954 order, replacing uncompleted requirements of the 1953 order, directed the making of specified improvements, and set aside submission of the application for a certificate, provided that, if the Strong's failed to comply with the order, the application should thereupon be resubmitted.

These decisions by this reference are made a part hereof.

By Application No. 35012, filed December 31, 1954, M. H. Strong seeks authority to increase water rates on this system.

Case No. 5453 was reopened for further hearing for the purpose of ascertaining the degree of compliance with prior orders therein and to determine whether such orders should be altered or amended in any particular. Application No. 34322 was reopened for further hearing for the taking of additional evidence therein. An original hearing was undertaken in Application No. 35012.

Public Hearing

After due notice, a public hearing in the consolidated matters was held before Examiner F. Everett Emerson on October 7, 1954 at Fortuna. The matters were submitted on that date.

Nature of Evidence Respecting Service

With respect to improvement of the Rohnerville Water Works system an engineer of the Commission staff testified that he had made an inspection of the physical plant during July 1954 and had found that the Strongs had failed to make the specific improvements, additions and changes in operations theretofore ordered by this Commission. Specifically, according to this witness, the following have not been done by the Strongs:

1. Installation of not less than 2-inch diameter tie lines on Belle Street, between Jordan Street and Church Street.
2. Installation of not less than 2-inch diameter tie lines on Weber Street, between School Street and Trinity Street.
3. The extension of the 2-inch main serving First Street to the northerly side thereof and connection of this extension to an existing 3/4-inch line serving two residences.
4. Installation of a 30,000-gallon storage tank at an elevation not less than 50 feet higher than the lowest of existing tanks.
5. The filing with this Commission of a program for main replacement.

According to the testimony of complainants, some improvement has at times been apparent but the water served is frequently at very low pressures and is muddy, oily and malodorous. Some consumers still haul in water for drinking purposes.

Defendant Melvin H. Strong admits the foregoing but states that he had complied with the Commission's order to the limit of his financial ability. He claims to have expended nearly \$7,000 in attempting to improve the quality and pressure of the water served. He claims to have had no funds with which to do anything that did not bear directly on the immediate water supply

problem. In this connection the Strongs abandoned the use of contaminated springs, as ordered by this Commission, and put down a new 200-foot well. Thereafter for several months the community had good and clear water although at relatively low pressure in certain areas, until about the end of July 1954 when pumping from the new well produced a blue clay and resulting muddy water. Since that time the well has been unusable as a source of clear water. However, the Strongs continued its use for some time thereafter. As a result, circulating the muddy water throughout the town further aggravated pressure and water flow difficulties and supplied water unsuitable for the usual household needs. During the latter part of September 1954 the Strongs obtained the use of a neighbor's well, known as the "Woodcock" well, on a temporary or emergency basis. The system is now being served from such well. The length of time that this well may be used is problematical. Its use does not meet the needs of consumers for a dependable supply of good water.

Thelma B. Wood, owner and operator of a water system now serving an area known as Campton Heights adjacent to the Strongs' system, is still willing and able to serve good quality water at satisfactory pressures and quantities throughout the area served by the Strongs in accordance with her regularly filed extension rules and other service regulations. The record is clear that there have been numerous requests that she undertake such service over the past several years.

Nature of Evidence Respecting Earnings of the Strongs

An analysis of the results of operations of the Strongs' system is contained in Exhibit No. 1 in Application No. 35012 in

this proceeding. The following tabulation is a summary of earnings as made in July 1954.

Item	: 1953 Recorded :		: 1953 Adjusted Rates :		: 1954 Estimated Rates :		: 1955 Estimated Rates :	
	Pres. :	Prop. :	Pres. :	Prop. :	Pres. :	Prop. :	Pres. :	Prop. :
Operating Revenues	\$3,717	\$3,634	\$7,190	\$3,600	\$7,200	\$3,600	\$7,200	
<u>Operating Expenses</u>								
Source of Supply	804	110	110	110	110	110	110	110
Pumping	246	650	650	650	650	700	700	
Trans. & Distr.	1,280	1,290	1,290	1,290	1,290	1,290	1,290	
Trans. & Distr. Reprs.	285	290	290	290	290	350	350	
Commercial	889	800	870	800	870	800	870	
General	250	110	110	110	110	110	110	
Subtotal	3,754	3,250	3,320	3,250	3,320	3,360	3,430	
Depreciation	615	544	544	558	558	573	573	
Uncollectibles	-	40	72	40	72	40	72	
Taxes	90	85	838	80	857	85	828	
Total Expenses	4,459	3,919	4,774	3,928	4,807	4,058	4,903	
Net Revenue	(742)	(285)	2,416	(328)	2,393	(458)	2,297	
Av. Depr. Rate Base	13,707	11,324	11,324	12,761	12,761	12,949	12,949	
Rate of Return	loss	loss	21%	loss	19%	loss	18%	

(Red Figure)

The adjusted and estimated years shown above are based upon assumed normal operations of the system. Since the date of the staff investigation and above earnings analysis, the Strongs have had extraordinary capital costs which the evidence indicates would increase the average rate bases for 1954 and 1955 by approximately \$1,500 and would increase normal operating expenses by about \$200 annually. Taking these later figures into account it may be seen that the Strongs' losses would be somewhat greater than those shown above under present rates and that rates of return under the proposed water rates would become slightly lower than those shown.

Conclusions

Based upon the entire record in these matters we make the following findings of fact and draw the following conclusions:

1. Melvin H. Strong and Leona M. Strong have failed to comply fully with orders of this Commission

directing improvement of their water system to the end that the customers thereof would receive adequate and reasonable water service. The system is deficient physically as respects water supply, distribution mains, quality of water and water pressure. The reasonable needs of consumers have not and are not now being met. In short, we find that the Strongs have not been and are not now properly discharging their public utility obligations. Further, we find that those improvements which this Commission has heretofore ordered to be made are reasonable and ought properly to have been made and are still needed.

2. Public convenience and necessity require and will require that Thelma B. Wood be granted authority to enter unrestrainedly the territory now served by the Strongs and to serve therein, in accordance with her regularly filed rules and regulations, any or all consumers desiring to be so served.
3. The Strongs are in need of increased revenues but the rates which they request would produce a rate of return which would be excessive and unreasonable. We shall authorize the Strongs to increase rates, however, to a level which should produce a rate of return of 6.5 per cent on an average depreciated rate base of \$14,450 after due allowance for all of the reasonable expense needs of their utility operations. We find such rate of return and rate base to be reasonable for the purposes of this proceeding. Customers of the Strongs' system will experience an average increase of about \$1 per month in their basic bills. We find such increased charges to be justified.

It should be apparent from the above conclusions and the following order herein that the Strongs henceforth will be faced with direct competition. Such situation, in our opinion, is in the public interest in this instance. It should be clear, however, that the Strongs are not relieved by the order herein of any of the duties and responsibilities of public utility operation. The public interest is paramount in these matters. If the Strongs properly and adequately meet the reasonable needs of their present patrons they may, by their own efforts, retain such patrons and develop a reasonably profitable operation. If they do not, the needs of water consumers may be met by taking service from the competing system.

The certificate of public convenience and necessity herein issued to Thelma B. Wood is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as a consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

Public hearings in the above-entitled matters having been held, the matters having been submitted and now being ready for decision and,

Based upon the evidence and the foregoing findings relative thereto,

IT IS HEREBY ORDERED as follows:

1. Decision No. 48929, issued August 4, 1953, as modified by Decision No. 49801, issued March 16, 1954, is hereby reaffirmed.
2. Melvin H. Strong and Leona M. Strong are hereby authorized to file in quadruplicate with this Commission, after the effective date of this order and in accordance with the provisions of General Order No. 96, the schedules of rates attached hereto as Appendix A and, after not less than five days' notice to this Commission and to the public, to make said rates effective for service rendered on and after January 1, 1955.
3. That a certificate of public convenience and necessity be and it is hereby granted Thelma B. Wood, effective April 1, 1955, to construct and operate a public utility system for the distribution and sale of water within the area described as follows:

Beginning at the quarter section corner on the south line of Section 12, Township 2 North, Range 1 West, Humboldt Meridian; thence east on the south line of said Section 12, and to the south line of Section 7, Township 2 North, Range 1 East, 1/2 mile more or less to the southeast corner of Section 12; thence north

on the subdivisional line, 3/4 mile more or less to the northeast corner of the southeast quarter of the northeast quarter of said Section 12; thence west along the subdivisional line 1-3/4 miles more or less to the intersection of School Street and U. S. Highway 101; thence southeasterly along said School Street 1/3 mile more or less to the south line of the northeast quarter of Section 11, Township 2 North, Range 1 East; thence east along said last-mentioned line 1/4 mile more or less to quarter corner between said Sections 11 and 12; thence south along the section line 1/2 mile more or less to the south line of said Section 12; thence east on said last-mentioned line 1/2 mile more or less to the point of beginning.

4. That Thelma B. Wood is authorized to refile her presently filed tariff schedules, including her tariff service area map, to be effective on and after April 1, 1955, in conformity with General Order No. 96, to provide for the application of said tariff schedules for water service in the area certificated by this order. Such tariff schedules shall become effective upon five days' notice to the Commission and to the public after filing as herein provided.

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

Dated at San Francisco, California, this 7th day of December, 1954.

Arthur E. Maxwell
President
Justus J. Casner
Kenneth Patton
Wesley J. Higgins
Ray L. Winters
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Rohnerville, Humboldt County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 500 cu.ft. or less	\$2.75
Next 1,500 cu.ft., per 100 cu.ft.....	.30
Over 2,000 cu.ft., per 100 cu.ft.....	.25
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$2.75
For 3/4-inch meter	4.00
For 1-inch meter	6.00

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

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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Rohnerville, Humboldt County.

RATES

	<u>Per Service Connection per Month</u>
1. For each single family residence including premises	\$3.00
a. For each additional residential unit on the same premises served from the same service connection	2.75
2. For each office, market, barber shop, drug store, service station, or pool hall	3.50
3. For each soda fountain, soft drink establishment, bar, or cafe	5.00
4. For each public hall, church, club or lodge room	2.25

SPECIAL CONDITIONS

1. Charges for flat rate service are payable in advance.
2. All service not covered by the above classifications will be furnished only on a metered basis.
3. 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.