

ORIGINALDecision No. 50861

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MARY ELIZABETH LEE (Gerber Water)
 Works) for an increase in rates for) Application No. 35572
 water service in Gerber, Tehama)
 County.)

John C. Luthin, for applicant.
Erwin E. Arndt, protestant.
Martin Abramson, for the Commission staff.

O P I N I O NIntroductory

Applicant requests an increase in rates for public utility water service furnished to approximately 206 flat rate and seven meter rate consumers in the unincorporated town of Gerber, Tehama County.

The proposed rates are designed to produce a 50% increase in revenue and if allowed would result in a rate of return of about 6.8%. Present rates have been in effect since 1923, when C. J. Lee, now deceased, purchased the system from H. K. Sears, whose predecessors installed it in 1911.

Public Hearing

The application was submitted for decision at a public hearing held at Gerber on August 26, 1954, before Examiner John M. Gregory.

Description of System and Method of Operation

Water for this system is supplied principally from a 16-inch diameter well, producing about 450 gallons per minute, and is raised to a 22,000-gallon elevated steel tank by a deep-well turbine pump connected to a 20-hp motor. The water is delivered

from the tank through approximately 25,000 feet of mains ranging in diameter from 1½ to 6 inches. Standby service is available from a 10-inch diameter well with a capacity of about 300 gallons per minute. The water supply and service appear to be satisfactory.

The system is owned and operated by the widow and son of C. J. Lee, who reside at Quincy. Day-to-day management is in the hands of Howard Parsons, Jr., whose mother resides on the waterworks properties, transmits service calls, keeps records and collects water bills, which are made out by Lee's accountant in Quincy. Lee pays the major company bills for contract work and power, reviews the water billings, writes letters and visits the properties about once every three months.

The company, besides rendering domestic and area irrigation water service to residents of Gerber, also provides water for the nearby Minch slaughterhouse and feed lot for watering cattle, fire protection and other purposes, at an unfiled contract charge of \$60 per month. Applicant requested that this charge be incorporated as a flat rate in its revised tariff schedules.

Rates and Results of Operation

Monthly flat rates for 25 classifications of service and a basic monthly meter rate of \$1.25 for a 5/8 x 3/4-inch meter have been in effect throughout this system since 1923. Summarized below are applicant's proposed monthly rates for flat and metered service:

Monthly Flat Rates

For each residence of 5 rooms or less.....	\$1.70
Area irrigation, first 2,000 sq. ft., per 100 sq. ft.025
Small stores or businesses	2.25
Large industrial plant, including fire protection	60.00

(Other rate blocks and classifications omitted)

Monthly Meter Rates

Minimum Charge:

For 5/8 x 3/4-inch meter \$2.00
 (Other rate blocks omitted)

Quantity Rates:

First 700 cu. ft. or less \$2.00
 (Other rate blocks omitted)

Data respecting results of operation at present and proposed rates, as developed by applicant's engineer and by the Commission staff, are summarized below:

Item	1954 Estimated			
	Staff		Company	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Total Operating Revenues	\$5,874	\$8,777	\$5,990	\$9,170
Total Operating Expenses, Incl. Taxes & Deprec.	2,150	7,525	7,371	7,788
Net Revenue	(1,276)	1,252	(1,381)	1,382
Average Deprec. Rate Base	18,541	18,541	18,980	18,980
Rate of Return	-	6.75%	-	7.3%

(Red Figure)

Conclusions

The only major difference in estimates by applicant's engineer and the staff related to the item of "Source of Water Supply Land" in the fixed capital accounts. As of December 31, 1953, applicant assigned a present market value of \$500 per acre, or a total of \$1,635, to the 3.27 acres used for water production facilities and operators' residence. All of that land, however, had not been included in the former staff appraisal of the properties in 1923 (Appl. No. 8946). The staff, in reviewing applicant's inventory in the present case, considered all the land as operative utility property at its original cost and thus added \$500 to the

former staff appraisal of \$300, making a total of \$800 as representing the original cost of the whole acreage.

The difference in land appraisals, together with slight variations in estimates of revenue and expenses, largely accounts for the inequality in the estimated rates of return for 1954 at proposed rates. The disparity, however, in a system of this size, is not considered to be significant.

It is clear from this record that applicant is entitled to relief in the form of increased revenue. Also, the company's rate schedules, rules and regulations need to be revised and brought up to date.

The rates proposed by applicant, together with the depreciated rate base of \$18,541 as estimated by the staff and the rate of return of approximately 6.75%, shown in the tabulation above, are hereby found to be reasonable and they will accordingly be adopted for the purposes of this proceeding.

O R D E R

Mary Elizabeth Lee, doing business as Gorber Water Works, having applied to this Commission for an order authorizing increases in rates, 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 and that present rates, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. 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 as shown in Appendix A attached hereto and, after

not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after January 1, 1955.

2. That applicant shall, within thirty days after the effective date of this order, file with this Commission four sets of up-to-date rules governing customer relations, together with four copies of a tariff service area map acceptable to the Commission and in accordance with the requirements of General Order No. 96.
3. That applicant shall, within sixty days after the effective date of this order, file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various properties of applicant.
4. That applicant shall determine the accruals for depreciation by dividing the original cost of plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant; further, applicant shall review the 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.

Finding that the public interest will not be adversely affected thereby, IT IS HEREBY FURTHER ORDERED that the effective date of this order shall be five days after the date hereof.

Dated at San Francisco, California, this 14th day of DECEMBER, 1954.

John E. Mitchell
President

Justus J. Cincera

Benjamin Patten

Gene Roggins

Ray L. Ketchum
Commissioners

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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Gerber, Tehama County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 700 cu.ft. or less	\$2.00
Next 2,300 cu.ft., per 100 cu.ft.....	.25
Next 7,000 cu.ft., per 100 cu.ft.....	.20
Over 10,000 cu.ft., per 100 cu.ft.....	.15
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.00
For 3/4-inch meter	2.25
For 1-inch meter	3.00
For 1-1/2-inch meter	5.00
For 2-inch meter	10.00

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 SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated community of Gerber, Tehama County.

RATES

	<u>Per Service Connection per Month</u>
1. For each residence of five rooms or less, exclusive of bath or toilet facilities	\$ 1.70
a. For each additional room in residence in excess of five rooms15
b. In addition, for each bathtub or shower	.40
c. In addition, for each flush toilet40
d. In addition, for irrigation or sprink- ling of lawns, or gardens:	
First 2,000 sq.ft., per 100 sq.ft.....	.025
Next 5,000 sq.ft., per 100 sq.ft.....	.015
Over 7,000 sq.ft., per 100 sq.ft.....	.01
2. For each small store or business	2.25
3. For Minch slaughterhouse, all-purpose service	60.00

SPECIAL CONDITIONS

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

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.