

ORIGINALDecision No. 50963

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DUNSMUIR WATER CORPORATION for an)
 order authorizing an increase of)
 rates and adoption of revised rules) Application No. 35620
 and regulations for water service)
 in the Town of Dunsmuir, California)
 and vicinity.)

Laing, Gray and Smith by Francis F. Hill, for
 applicant.
Gerald L. Shannon, City Attorney, for City of
 Dunsmuir, protestant.
E. Ronald Foster, for the Commission staff.

O P I N I O N

By the above-entitled application, filed July 19, 1954, Dunsmuir Water Corporation seeks an order of this Commission authorizing a general increase in rates and charges for water service rendered by it in Dunsmuir and vicinity in Siskiyou County.

A public hearing in the matter was held before Examiner F. Everett Emerson on November 6, 1954 at Dunsmuir.

Rates, Present and Proposed

The rates now in effect on this system were authorized by this Commission's Decision No. 42427 in Application No. 29669 issued January 18, 1949 when the system was owned and operated by The California Oregon Power Company. Upon acquisition of the system in 1950, applicant adopted such rates as its own and still continues them in effect.

The following tabulation shows a comparison of present and proposed charges for water service to residential, commercial,

municipal and industrial customers assuming a 5/8- by 3/4-inch meter for the smaller usages:

Rate Comparison

Consumption in 100 Cubic Feet	Monthly Billing		Per Cent Increase
	Present Rates	Proposed Rates	
600	\$ 1.30	\$ 1.95	50.0%
700	1.47	2.24	52.4
800	1.68	2.56	52.4
900	1.89	2.88	52.4
1,000	2.10	3.20	52.4
1,500	3.00	4.55	51.7
2,000	3.90	5.90	51.3
2,500	4.80	7.25	51.0
5,000	8.50	12.80	50.6
10,000	13.90	20.90	50.4
20,000	21.50	31.90	48.4
50,000	42.50	61.90	45.6

The present rates for fire hydrant service consist of monthly charges based on the size and number of outlets of each hydrant. Applicant proposes a monthly minimum charge of \$165 for the first 75 hydrants and \$2 per month for each additional hydrant in the City of Dunsmuir. Applicant also proposes that the costs of installing and maintaining hydrants be borne by the city.

Applicant seeks to establish a rate schedule for private fire protection or fire sprinkler service. The proposal for this type of service is as follows:

Private Fire Sprinkler Service

<u>Size of Service</u>	<u>Charge per Month</u>
3-Inch Service, or Smaller	\$ 2.25
4-Inch Service	3.40
6-Inch Service	8.40
8-Inch Service	14.00
10-Inch Service	22.00

Applicant estimates that the rates which it proposes would increase its annual gross revenues by about \$21,000 based upon the level of business during 1954.

The System and Its Growth

Applicant furnishes water service to the two communities of Dunsmuir and Fort Jones in Siskiyou County. The Dunsmuir system was established prior to 1912. Applicant obtained the system during 1950.

The water supply for the system is obtained from a group of springs north of the City of Dunsmuir. From these springs water is collected, piped into an intake structure and then transmitted by gravity directly into the distribution system, with the surplus discharging into a 392,600-gallon concrete reservoir. Two booster pumps are used to serve groups of customers situated at elevations higher than those covered by the main distribution system.

The transmission and distribution system contains approximately 89,000 feet of mains varying in size from 18 inches to 1 inch in nominal diameter. It presently serves about 1,287 customers. Customer growth has been slight over the past several years while investment in plant facilities has experienced a considerable increase. The following tabulation illustrates this situation.

<u>Year</u>	<u>Customers</u>	<u>Gross Plant</u>
1950 (July 15)	1,254	\$255,420
1950 (end of year)	1,254	275,073
1951 (end of year)	1,259	282,448
1952 (end of year)	1,249	334,597
1953 (end of year)	1,277	344,267
1954 (Sept. 30)	1,287	359,639

It will be observed that while customer growth was only 33 in the period in which applicant has operated this system it has made net plant additions of \$104,219. Applicant has budgeted additional expenditures of \$10,900 for plant additions during the year 1955.

Applicant's Earning Position

Applicant has had to meet almost constantly increasing costs of labor and materials. Its revenue growth has not been offsetting. Applicant, therefore, has experienced a steady decline in its net operating revenues and in its rate of return on its investment. According to its book figures, its rate of return has declined to the point where during 1954 it will earn a rate of return of only 1.8 per cent.

Applicant and the Commission staff introduced evidence respecting applicant's earnings for past and estimated future operations. Their respective exhibits are not directly comparable, due primarily to the methods used in determining the expenses of depreciation. However, during the course of the proceeding applicant recalculated its depreciation figures for the year 1955 in order to place its results on the same straight-line remaining life basis as that used by the staff. The following tabulation, therefore, shows the respective presentations on as nearly a comparable basis for revenues and expenses as may be determined from the evidence.

Results of Operations

PRESENT RATES

Item	1953	1954 Estimated	
	Recorded	Applicant	CPUC Staff
Operating Revenues	\$ 42,360	\$ 42,842	\$ 42,995
Operating Expenses			
Before Taxes and Depreciation	23,890	23,503	23,005
Taxes	9,227	9,626	9,275
Depreciation	4,881	9,619	10,190
Total Operating Expenses	37,998	42,748	42,470
Net Revenue	4,362	94	525
Average Rate Base (Depreciated)	282,600	292,000	280,000
Rate of Return	1.54%	0.03%	0.19%

Results of Operations

PROPOSED RATES

Item	:1953 CPUC:		1954 Estimated		: 1955 Est.:	
	:Staff Adj:	Applicant:	CPUC Staff:	Applicant:	CPUC Staff:	Applicant:
Operating Revenues	\$ 64,000	\$ 63,836	\$ 64,730	\$ 64,730	\$ 64,048	\$ 64,048
Operating Expenses						
Before Taxes and Depr.	22,850	23,685	23,035	23,035	24,136	24,136
Taxes	16,745	15,581	17,035	17,035	15,643	15,643
Depreciation	9,940	9,619	10,190	10,190	9,619	9,619
Total Oper. Exps.	49,535	48,885	50,260	50,260	49,398	49,398
Net Revenue	14,465	14,951	14,470	14,470	14,650	14,650
Rate Base (Depreciated)	283,300	292,000	280,000	280,000	297,598	297,598
Rate of Return	5.11%	5.12%	5.17%	5.17%	4.92%	4.92%

It will be noted in the above tabulations that the respective presentations are in close agreement except as to rate base. The differences in rate bases may be attributed almost entirely to the applicant having neglected to deduct consumers advances. When such deductions are made the various rate bases are reconciled. For the purposes of this proceeding, therefore, we find the staff-derived rate bases set forth in the above tabulations to be fair and reasonable for the periods indicated.

Position of Protestant

The City of Dunsmuir, through its Mayor and City Attorney, opposed applicant's requested rate increase on general grounds and indicated that the feeling of the community was that water in the area was plentiful and required little or no production costs and that applicant's rates should not be predicated on gross book value of plant.

On the points raised by the City, the evidence clearly shows that production costs are very low. In fact, less than \$200 per year has been expended as a "source of water supply" expense. The expenses of purification total about the same amount annually. Pumping expenses run approximately \$1,400 per year. The balance of

the expenses cover the costs of operating and maintaining the system and delivering the water to customers' premises. We find no evidence that applicant's expenses have not actually been incurred or that they are in any way unreasonable.

With respect to plant values, applicant has made no claim to a return on its gross plant figures nor would this Commission base its findings or set the level of rates on such a concept. Irrespective of what applicant may have paid for the system at the time of purchase from The California Oregon Power Company, applicant has based its request on the depreciated original cost of the actual physical properties devoted to the public service. Such procedure is in accord with the long-standing policy of this Commission. It assures fair treatment to customer and utility alike.

Conclusions

It is clear that applicant is not now earning a reasonable return and is in need of and entitled to relief in the form of increased revenues. The rates which it proposes will yield a rate of return somewhat less than that commonly considered to be reasonable but will substantially improve applicant's earning position. Applicant's request to increase rates and charges for water service will be granted. However, applicant's proposal to have the City assume the installation and maintenance costs for new fire hydrants does not appear to be reasonable or practicable at this time. We are of the opinion that this matter might appropriately be the subject of negotiation between the City and the applicant, both keeping in mind that the fire hydrant service rendered must not become a burden on applicant's other customers.

Applicant's proposed revision of its rules appears to be reasonable and will be authorized. Its presently filed rule respecting main extensions will be continued in effect without charge.

Applicant should use the depreciation accrual rates shown in Table 7-A of Exhibit No. 4 in this proceeding until such time as major changes in plant composition occur or a future review indicates that such accrual rates are inappropriate.

O R D E R

Dunsmuir Water Corporation having applied to this Commission for an order authorizing increased water rates, public hearing thereon 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 therefrom, are for the future 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 and in conformity 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 the public and to this Commission to make said rates effective for service rendered on and after February 15, 1955. Coincident therewith applicant shall file up-to-date rules concerning practices and relations with its consumers as proposed in its Exhibit No. 2 in this proceeding, except that:
 - (a) In proposed Rule and Regulation No. 1, the definition of "Utility Investment" shall be deleted.
 - (b) In place of proposed Rule and Regulation No. 15, applicant's presently effective main extension rule, filed pursuant to the Commission's Decision No. 50580, dated September 28, 1954, in Case No. 5501, shall remain in effect.
2. That applicant shall, within thirty days after the effective date of this order, file with this Commission four copies of an up-to-date tariff service area map in conformity with the provisions of the Commission's General Order No. 96.

- 3. That applicant shall, within forty days after the effective date of this order, file four copies of a comprehensive map drawn to an indicated scale not smaller than 600 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 various properties of applicant.
- 4. That applicant shall determine future 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; 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.

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

Dated at San Francisco, California, this 10th day of JANUARY 1955.

[Signature]

 President

[Signature]

[Signature]

[Signature]

 Commissioners

APPENDIX A
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Schedule No. 1

Dunsmuir Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the incorporated City of Dunsmuir and vicinity, in Siskiyou County.

RATES

Quantity Rates:		<u>Per Meter per Month</u>
First	600 cu.ft. or less	\$1.95
Next	400 cu.ft., per 100 cu.ft.....	.32
Next	2,000 cu.ft., per 100 cu.ft.....	.27
Next	3,000 cu.ft., per 100 cu.ft.....	.21
Next	6,000 cu.ft., per 100 cu.ft.....	.15
Over	12,000 cu.ft., per 100 cu.ft.....	.10

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.95
For	3/4-inch meter	2.80
For	1-inch meter	4.45
For	1-1/2-inch meter	8.50
For	2-inch meter	12.00
For	3-inch meter	20.00
For	4-inch meter	27.00
For	6-inch meter	42.00
For	8-inch meter	60.00

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

Dunsmuir Tariff Area

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service.

TERRITORY

Within the incorporated City of Dunsmuir and vicinity, in Siskiyou County.

RATES

	<u>Per Month</u>
City of Dunsmuir:	
For the first 75 fire hydrants or less, minimum charge	\$165.00
For each additional fire hydrant	2.00
All organized fire districts outside the city limits:	
For each fire hydrant	2.00

SPECIAL CONDITIONS

1. The cost of installation and maintenance of hydrants will be borne by the utility.
2. The above rates include 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.
3. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.

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Schedule No. 3

Dunsmuir Tariff Area

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable only for water service to privately owned fire sprinkler systems, where water is to be used only in case of fire.

TERRITORY

Within the incorporated City of Dunsmuir and vicinity, in Siskiyou County.

RATES

	<u>Per Service Connection per Month</u>
For 3-inch service, or smaller	\$ 2.25
For 4-inch service	3.40
For 6-inch service	8.40
For 8-inch service	14.00
For 10-inch service	22.00

SPECIAL CONDITIONS

1. The company may install at its own expense the standard detector-type meter approved by the Board of Underwriters for protection against theft, leakage or waste of water.

2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed at the cost of applicant. The appropriate service connection shall be installed by the company at the cost of the applicant. The amounts paid by applicant hereunder to establish private fire sprinkler service shall not be subject to refund.