

ORIGINAL

Decision No. 51903

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
A. C. DELLINGER and RUTH DELLINGER)
dba the Quincy Water Company for an)
increase in rates for water service)
in Quincy, Plumas County.)

Application No. 36750

John J. Luthin, for applicant.
E. Ronald Foster, for the Commission staff.

O P I N I O N

By the above-entitled application, filed February 23, 1955, A. C. and Ruth Dellinger (Quincy Water Company) seek an order of this Commission authorizing an increase in rates charged for water service rendered in and about Quincy, Plumas County, and the elimination of certain rate deviations presently in effect.

After due notice, a public hearing in the matter was held before Examiner F. Everett Emerson on July 7, 1955, at Quincy.

Rates, Present and Proposed

Applicants presently serve an integrated system which once comprised two separate systems. As a result, rates for identical service vary depending on from which one of the once separate systems service is received. Applicants propose to establish but one set of

rates for the entire system. These are compared, with the rates presently in effect, in the following tabulation:

<u>Classification</u>	<u>Present Monthly Charge</u>		<u>Proposed Monthly Charge</u>
	<u>Quincy System</u>	<u>Gill System</u>	<u>Integrated System</u>
Flat Rates:	(1)	(2)	
Average 5-room residence	\$ 2.25	\$2.00	\$ 2.90
Sprinkling or irrigating 1,000 sq.ft.	.30	.25	.40
Barber shop, one chair	2.00	-	2.60
Hotel, per bedroom and bath	.35	-	.43
Auto Court, per cabin	1.00	-	1.30
Commercial establishments	1.75	-	2.30
Plumas County Courthouse	28.00	-	60.00
Meter Rates:	(1)	(1)	
First 600 cu.ft. or less	\$ 1.60	\$1.60	\$ 2.10
Next 1,400 cu.ft., per 100 cu.ft.	.20	.20	.25
Next 2,000 cu.ft., per 100 cu.ft.	.15	.15	.20
Next 1,000 cu.ft., per 100 cu.ft.	.12	.12	.20
Next 1,000 cu.ft., per 100 cu.ft.	.12	.12	.15
Over 6,000 cu.ft., per 100 cu.ft.	.10	.10	.15

(1) In effect since 1932.

(2) In effect since 1916.

Nature of Evidence

Applicants, through Mr. Dellinger and an engineering consultant, presented five exhibits and oral testimony in support of their request. An engineer of the Commission staff presented two exhibits and testified respecting his investigation of the operations of the water system. Cross-examination of the witnesses was undertaken by the parties at interest and by members of the consuming public.

The evidence is clear that since applicants acquired the systems in 1951 the quantity of water supply available to the system has been more than doubled and water storage facilities have been increased more than five fold. The system has had considerable attention on the part of the owners but has produced little or no net earnings. The owners have not as yet charged any salaries to

the utility, their only return having been from that of the proprietors' account and from which they have withdrawn only \$6,000 in the past four years.

A summary of the results of operations of this system, as presented by applicants and the Commission staff, is shown in the following tabulation:

Summary of Earnings

Item	Present Rates		Proposed Rates	
	Applicants	CPUC Staff	Applicants	CPUC Staff
<u>Year 1954 Adjusted</u>				
Operating Revenues	\$19,949	\$21,071	\$27,000	\$27,629
Operating Expenses	19,388	16,746	20,995	18,902
Net Revenues	561	4,325	6,005	8,727
Rate Base (Deprec.)	77,264	77,495	77,264	77,495
Rate of Return	0.7%	5.58%	7.8%	11.26%
<u>Year 1955 Estimated</u>				
Operating Revenues	\$20,154	\$21,412	\$27,267	\$28,047
Operating Expenses	19,529	17,182	21,149	19,354
Net Revenue	625	4,230	6,118	8,693
Rate Base (Deprec.)	77,195	77,580	77,195	77,580
Rate of Return	0.8%	5.45%	7.9%	11.21%

The differences in revenues, apparent above, arise from incorrect billings of flat rate charges, whereby consumers have been uniformly billed lesser amounts than their facilities would warrant under the filed rates. A second difference in the evidence respecting revenues is that arising from free service now being supplied to 10 water users who may have claims to certain water rights granted to them or their predecessors by prior owners of the water system. The staff engineer, while not including in the above figures the revenues which would result from billing these water users at filed rates, testified that these 10 users take service for 24 business and residential units and that applicants would receive an estimated amount of \$930 annually under the proposed rates if these services were billed.

By Exhibit No. 1 and supporting testimony, applicants presented evidence respecting the serving of eight consumers at free or reduced rates. The 24 free services to the 10 water users,

above-mentioned, are reputed to stem from these original eight. The serving of customers at free or reduced rates has heretofore had the attention of this Commission in numerous proceedings and, in fixing rates for service, elimination of preferential and discriminatory rates and practices has been ordered. The matter has received the particular attention of the Commission with respect to the Quincy Water Works while this system was owned and operated by applicants' predecessors and is treated at some length in our Decision No. 18022 in Applications Nos. 12753 and 13012, issued February 23, 1927 (29 CRC 395-404). The evidence before us in the instant proceeding is not such as to warrant any departure from the conclusions stated in said Decision No. 18022 wherein the practice of serving water free of charge, to all water consumers whose claims to free water have been obtained through contracts or agreements entered into at a date subsequent to the dedication to the public use of the waters so served, was ordered to be discontinued. In the setting of rates at this time, we shall not burden public utility customers with the costs necessarily incurred in rendering free service to any other water user. As in the above-mentioned decision, we here state that we do not wish to be understood as attempting to exercise jurisdiction to determine any question of water rights or the right of any particular individual to any particular waters or service. If such rights exist they exist by virtue of law, and are for the courts to determine.

The differences in operating expenses in the foregoing tabulation result from the staff engineer having based certain of his expense calculations on the average expenses of other water utilities as related to the number of customers served. Applicants' expense calculations, on the other hand, are related directly to this one utility operation and reflect actually experienced past expenses with allowances for future normal operating expenses. In our opinion applicants' adjusted and estimated expenses are the more realistic and we shall accept them for the purposes of this proceeding.

Questions respecting assurance of adequate supplies of water during hot summer seasons elicited testimony that applicants, while having sufficient quantities of water in normal years occasionally must augment the gravity supply by pumping from one well and that they are presently laying plans for increasing the volume of gravity water by obtaining an additional supply. The probable capital costs of such supply are not yet known but it reasonably may be assumed that they will be substantial.

Applicants' present flat rate structure is outmoded, cumbersome and somewhat difficult of administration. Certain inequities in the rates were brought to the attention of the Commission during the course of the hearing. Ideally the system should be fully metered; practically, it cannot be at this time. The situation can be greatly improved, however, by metering all business services and reserving flat rate charges for service to residences, the courthouse and the schools. Even such partial metering of the system will require substantial capital outlay and a reasonable period of time to accomplish. Applicants will be required to undertake such a program of partial metering during the next 15 months' period.

Conclusions

In view of the evidence we adopt, as reasonable, the following normalized results of operations for this utility, including revenues from all consumers, for the periods shown:

<u>Item</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Year 1954:		
Operating Revenues	\$21,700	\$28,500
Operating Expenses	19,700	21,700
Net Revenue	2,000	6,800
Rate Base (Depreciated)	77,500	77,500
Rate of Return	2.6%	8.8%
Year 1955:		
Operating Revenues	\$22,100	\$28,900
Operating Expenses	19,900	21,900
Net Revenue	2,200	7,000
Rate Base (Depreciated)	77,600	77,600
Rate of Return	2.8%	9.0%

It is apparent that applicants are in need of and entitled to an improvement in their earning position. If the rates which they propose could have been in effect during 1954 and the full year 1955, excessive rates of return, as shown by the above tabulation, would have been produced. However, looking to the year 1956, the first full calendar year in which new rates can be effective, and having before us the probable costs of partial metering of the system together with the probable costs of litigation, both prorated or amortized over a period of years, it appears that applicants' rate proposal will produce net revenues of about \$6,000 which, when related to a rate base of \$84,400, will yield a rate of return of approximately 7.1 per cent. We find such rate base and rate of return to be fair and reasonable for such year. Increased capital for an additional water supply will decrease such rate of return in succeeding years. Applicants' proposed rates will be authorized.

The annual revenue per average residential and small business customer, under present flat rates, was \$40.93 during the year 1954. Under the rates authorized herein the annual revenue per customer will be \$53.57, an average increase of \$12.64 or 31 per cent annually.

O R D E R

A. C. and Ruth Dellinger (Quincy Water Company) having applied to this Commission for authority to increase rates and charges for water service rendered in Quincy and vicinity, Plumas County, 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 existing rates,

in so far as they differ from those herein authorized, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicants are 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 rate schedules set forth in Appendix A attached to this order, together with rules and regulations and tariff service area map acceptable to the Commission, and on not less than five days' notice to the public and this Commission, to make said tariffs effective for all service rendered on and after October 1, 1955.

2. Beginning with the calendar year 1955, applicants shall determine depreciation expense by multiplying the depreciable fixed capital by a rate of 2.8 per cent and shall thereafter use this rate until review indicates it should be revised. Further, applicants shall review the depreciation rate using the straight-line remaining life method, whenever substantial changes in depreciable fixed capital occur or at intervals of not more than five years, and shall revise the above rate in accordance with such reviews. Results of these reviews shall be submitted to the Commission.

3. Applicants shall have installed and in operation by not later than December 31, 1956, a suitable water meter on each service connection to other than those to residential premises, the Plumas County Courthouse and grounds and the public schools and school district offices within their service area. Further, applicants shall file reports of progress in this matter with the Commission within 10 days of March 1, July 1, and October 1, 1956 and January 1, 1957.

4. Within sixty days after the effective date of this order, applicants shall file with the Commission four copies of a comprehensive map drawn to an indicated scale of approximately 100 feet to

the inch, delineating by appropriate markings the various tracts of land and territory served, the production, storage and distribution facilities and the various utility properties of applicants.

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

Dated at San Francisco, California, this 30th day of August, 1955.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Quincy, Plumas County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft. or less	\$ 3.00
Next 1,400 cu.ft., per 100 cu.ft.25
Next 3,000 cu.ft., per 100 cu.ft.20
Over 5,000 cu.ft., per 100 cu.ft.15
 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	9.00
For 2-inch meter	13.00
For 3-inch meter	21.00
For 4-inch meter	32.00

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

RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

The unincorporated community of Quincy, Plumas County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For each single family residence including premises having an area of:	
4,000 sq-ft. or less	\$3.25
4,001 - 7,000 sq-ft.	3.50
7,001 - 10,000 sq-ft.	3.75
10,001 - 15,000 sq-ft.	4.00
Over 15,000 sq-ft.	4.25
For each additional residential unit served through the same service connection ..	2.50

SPECIAL CONDITIONS

- All service not covered by the above classifications will be furnished only on a metered basis.
- Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

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Schedule No. 2-A

TEMPORARY BUSINESS FLAT RATE SERVICEAPPLICABILITY

Applicable to all water service furnished on a flat rate basis other than residential customers, public schools, school district offices and the Plumas County Courthouse.

TERRITORY

The unincorporated community of Quincy, Plumas County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
1. For each ice cream parlor, soda fountain, bar, restaurant or lunch counter	\$3.00
2. For each barber shop or beauty parlor	2.50
3. Hotels:	
For each dining room	3.00
For each bedroom10
In addition, for each flush toilet, bathtub or shower30
4. For each occupancy unit of auto courts and motels	1.30
5. For each business establishment, public building and club not listed above, exclusive of public schools, school district offices and the Plumas County Courthouse	2.50

SPECIAL CONDITIONS

1. Service under this schedule will be furnished to existing customers only until such time as the arrangement of piping will permit meters to be installed.

2. This schedule will be effective only to and including December 31, 1956 and will be withdrawn on January 1, 1957.

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Schedule No. 3

SCHOOL AND COURTHOUSE FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished on a flat rate basis to public schools, public school district offices and the Plumas County Courthouse.

TERRITORY

The unincorporated community of Quincy, Plumas County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For Quincy Elementary School	\$29.00
For Plumas County High School	90.00
For Plumas Unified School District Offices ...	16.00
For Plumas County Courthouse	60.00

SPECIAL CONDITION

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

Schedule No. 4

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to public fire hydrant service to Plumas County and other political subdivisions of the state.

TERRITORY

The unincorporated community of Quincy, Plumas County.

RATE

Per Month

For each hydrant \$1.50

SPECIAL CONDITIONS

1. The above rate includes use of water for fire protection 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 Schedule No. 1, General Metered Service.

2. Fire hydrants will be installed and maintained at the cost of the fire protection agency.

3. The utility 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.