

ORIGINAL

Decision No. 52083

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

MILDRED CASE,
)
)
 Complainant,
)
 vs.)
)
 T. W. MORRIS and MYRTIE MORRIS,
)
)
 doing business under the firm
)
 name and style of BUTTE CITY
)
 WATER SERVICE,
)
 _____)
 JOSEPH H. SHOCKLEY,
)
)
 Intervening Defendant)
 _____)

Case No. 5619

Mildred Case, in propria persona
Grayson Price, of Price & Morony, for
 defendants
Clyde F. Norris, for the Commission's staff ✓

O P I N I O N

Nature of Proceeding

Complainant, lessee of the Pheasant Inn Motel and Trailer Court at Butte City, Glenn County, alleges that defendants Morris own and operate the Butte City Water Service; that they supply water generally in the community as a public utility without having filed rates with this Commission; that they are charging complainant \$6 per month for water supplied to eight units in the motel and \$3 per month for water for each trailer located at the trailer court; that such rates are exorbitant, discriminatory and unlawful.

Complainant seeks an order requiring defendants to file rates with and submit to regulation by this Commission. Complainant also requests that defendants be required to install meters, or, in the alternative, that rates be adjusted so that complainant and other users in Butte City may obtain a water supply at rates comparable to other communities in the surrounding area.

Defendants, by their answer, assert that record title to the water system properties is vested in the intervening defendant, Joseph H. Shockley, son of a former owner of the system, and that the system is managed by his mother, Myrtie M. Morris (formerly Myrtie M. Shockley); that rates have not been filed with the Commission because defendants did not know that the business was a public utility subject to regulation as such; that defendants have served on the average less than thirty customers, mainly for the benefit of the community of Butte City. Defendant Shockley alleges that he will file whatever rates the Commission determines are reasonable and he further alleges that the rates presently charged are fair and reasonable.

Defendants ask that the Commission fix proper rates and then dismiss the complaint. Defendant Shockley asks that he not be required to obtain a certificate of public convenience and necessity, since the business has been in operation as a utility long prior to 1910.

Public Hearing

The case was submitted for decision at a public hearing held July 28, 1955, at Butte City, before Examiner John M. Gregory.

Description of System

Water for the system is obtained from a deep well, installed in 1942, equipped with an electrically driven deep well turbine pump. The water is pumped directly into the distribution system. Surplus is delivered into a 20,000-gallon elevated steel tank installed in 1922. As of July 1, 1955, there were 34 customers being served through about 3,000 feet of main, varying from 1-1/2 to 4 inches in diameter. Prior to installation of the well and present pump, the system received its water by pumping directly from the Sacramento River. When the river filled and blocked the intake, an agreement was reached with customers to pay \$3 per month for water service,

contingent upon installation and operation of a new well and pump.

Rate Base and Estimated Results of Operation

From a staff engineer's study placed in the record, based on an inventory and appraisal of the historical cost of the system, the following rate base was developed:

Estimated Fixed Capital	\$6,254
Materials and Supplies	85
Working Cash	115
Rate Base, Undepreciated	<u>6,454</u>
Depreciation Reserve	3,760
Depreciated Rate Base	<u>2,694</u>

The system has been in operation since about 1895; hence, it was necessary to estimate unit costs of materials and labor charges for installation of facilities at that time.

A summary of earnings for 1955, based on present rates, is also included in the staff study, as shown below:

<u>Item</u>	<u>Year 1955 Estimated At Present Rates</u>
Operating Revenues	\$1,363
Operating Expenses	<u>998</u>
Net Revenue	365
Depreciated Rate Base	2,694
Rate of Return	13.55%

Service Matters

Complainant operates the motel and trailer court under a lease which expires July 26, 1956. There are six motel units for rent, a 3-room apartment, occupied by complainant, and 10 to 12 trailer spaces. Two or three trailers receive water from the system through a 1½-inch service connection installed by complainant. The motel, a restaurant and the rest of the trailer locations are served by a separate 1½-inch connection. The motel units and trailer locations are occupied chiefly during the Fall and Winter hunting seasons. Complainant has been paying for water service at the rate of \$6 per month for the motel, restaurant, yard irrigation and four water wasting coolers, and \$3 per month for each trailer. She attempts to charge trailer tenants at the rate of 10 cents per day for

water, but is not successful in collecting such charges.

The local grammar school has recently installed its own well and pump, which is expected to result in reducing revenue to the system by about \$36 annually.

Summary and Conclusions

Defendants concede the public utility status of the water system. The record establishes that operations have been conducted since prior to 1910. No certificate of public convenience and necessity is required for continuance of a public utility water company operation commenced prior to adoption of the Public Utilities Act (Statutes of 1915, Chapter 91, as amended - now Public Utilities Code). The only question, therefore, concerns fixing reasonable rates for the future.

It is evident, upon the basis of the staff report, that operations, as presently conducted by the existing system, yield a rate of return that appears to be excessive. The record establishes, however, that the community served by this company is not growing at such a rate as to presently indicate a necessity for substantial additions to the company's facilities. Any deviation from the volume of current business, upward or downward, would tend to exert a profound effect upon revenues and, consequently, on the rate of return.

The present flat rate of \$3 per month for a single family residence on a single lot will not be disturbed. Flat rates, however, will be provided for other classes of premises, and a schedule of metered rates will also be established. We find such rates, together with the rate base and indicated rate of return shown above, to be reasonable for the purposes of this proceeding.

The estimated original cost of \$6,253.70 and the depreciation reserve of \$3,760.05, as of July 1, 1955, shown in Table 1, page 4, of Exhibit No. 2, the staff report in this proceeding, are found to be reasonable. The order which follows will direct that the

detailed plant property costs and depreciation reserve as of July 1, 1955, appearing in Table 1 of said Exhibit No. 2, be set up on the books of this utility.

Since no good reason has been made to appear for the maintenance of two service connections to complainant's motel and trailer court, it is our opinion that these properties should be served by one 1½-inch connection, and that service to those properties should be on a measured basis, in view of their fluctuating demands for water. The order to follow will so provide.

With establishment of flat and meter rates and revamping of service connections to the motel and trailer court, the matters raised by complainant should be satisfied. Accordingly, the proceeding will be terminated by the entry of the order which follows. ✓

O R D E R

Public hearing having been held on the above-entitled and numbered proceeding, the matter having been submitted, the Commission having considered the evidence and now being fully advised, and basing its order upon the findings and conclusions contained in the foregoing opinion,

IT IS HEREBY ORDERED as follows:

1. Joseph H. Shockley, owner of said water system, is authorized and directed to file with this Commission after the effective date of this order, to become effective on and after February 1, 1956, and upon not less than five days' notice to the Commission and the public, the rates set forth in Appendix A attached to this order, together with rules and tariff service area map acceptable to this Commission, in accordance with the requirements of General Order No.96.

2. Within sixty days after the effective date of this order, said Joseph H. Shockley shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale not smaller

than 50 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, and the principal water production, storage and distribution facilities.

3. Beginning with the year 1956, Joseph H. Shockley shall determine depreciation expense by multiplying the depreciable fixed capital by a rate of 2.3 per cent. This rate shall be used until review indicates it should be revised. Joseph H. Shockley 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 conformance with such reviews. Results of these reviews shall be submitted to the Commission.

4. Joseph H. Shockley shall, within thirty days after the effective date of this order, replace the two present service connections to the Pheasant Inn Motel and Trailer Court with one 1½-inch service connection and shall, within ten days after the completion of such installation, report to the Commission in writing the date thereof. Defendant shall thereafter supply service to said premises at the meter rates herein authorized.

5. Joseph H. Shockley shall set up on his books the plant accounts and depreciation reserve as of July 1, 1955, substantially as shown in Table 1, page 4, of Exhibit No. 2.

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

Dated at San Francisco, California, this 20th day of December, 1955

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

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all general metered water service.

TERRITORY

The unincorporated community of Butte City, and vicinity, Glenn County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 600 cu.ft. or less	\$2.50
Next 1,400 cu.ft., per 100 cu.ft.....	.30
Next 8,000 cu.ft., per 100 cu.ft.....	.25
Next 10,000 cu.ft., per 100 cu.ft.....	.20
Over 20,000 cu.ft., per 100 cu.ft.....	.15
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.50
For 3/4-inch meter	3.50
For 1-inch meter	5.50
For 1-1/2-inch meter	10.00
For 2-inch meter	15.00
For 3-inch meter	25.00

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 FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated community of Butte City, and vicinity, Glenn County.

RATES

	<u>Per 3/4-Inch Service Connection per Month</u>
1. For each single family residence on a single lot	\$3.00
a. For each additional residence on the same lot served from the same service connection	1.50
b. For each additional lot on which water is used to irrigate a garden or lawn served from the same service connection	1.00
2. For each garage or gasoline service station	3.00
a. Additional for each wash rack	2.50
3. For each restaurant, saloon, soft drink parlor, or drug store with soda fountain	3.00
4. For each grocery store including living quarters	3.00

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.