

**ORIGINAL**Decision No. 53276

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THELMA B. WOOD for  
authority to increase rates of  
CAMPTON HEIGHTS WATER SERVICE. )Application No. 37377  
As Amended

Collis P. Mahan, for applicant;  
David W. King, for Campton Heights Water  
 Users, protestants;  
E. Ronald Foster, for the Commission staff.

O P I N I O NNature of Proceeding

By the above-entitled application, filed October 7, 1955, Thelma B. Wood (Campton Heights Water Service) seeks an order of this Commission authorizing increases in rates and charges for water service rendered in the unincorporated communities of Campton Heights and Rohnerville, Humboldt County. By oral amendment on March 8, 1956, applicant also seeks authority to carry out the terms of an agreement with Theodore P. Renner pertaining to extension of water mains, such agreement, in effect, constituting a deviation from applicant's filed rule covering main extensions.

Public Hearing

Public hearing in the matter was held before Examiner F. Everett Emerson on March 8, 1956 at Fortuna. Oral amendment, as above stated, was made at the hearing. The matter was submitted subject to the filing of a late-filed exhibit pertaining to the amendment, such exhibit being received on April 18, 1956.

Rates, Present and Proposed

Applicant's present water rates are the initial rates filed by the utility upon commencement of service in 1950. The system is

basically a metered one with only 20 of approximately 250 customers being served at flat rates. Comparison of charges at existing rates and requested rates are as follows:

Flat Rates

<u>Classification</u>	<u>Per Month</u>	
	<u>Present Rate</u>	<u>Requested Rate</u>
Single Family Dwelling	\$ 2.50	\$ 5.00
Irrigation by Sprinklers	2.00	4.00
Fire Hydrants, each	1.00	2.00
School	20.00	40.00
Stock, per head	.25	.50

Meter Rates

<u>Consumption</u>	<u>Typical Monthly Bill</u>	
	<u>Present Rate</u>	<u>Requested Rate</u>
4,000 gallons	\$ 2.25	\$ 4.50
5,000 gallons	2.25	5.05
6,000 gallons	2.65	5.60
7,000 gallons	3.05	6.15
8,000 gallons	3.45	6.70
10,000 gallons	4.25	7.80
15,000 gallons	6.25	10.55

Applicant's Operations

The water system operated by the Campton Heights Water Service is supplied from one well. The service area has a gentle slope with the source of supply and storage facilities located at the point of highest elevation in the original subdivision.

The well is 315 feet deep, with a 12-inch casing. A deep-well pump with a 15-hp motor, capable of delivering 300 gpm, pumps water into a 45,000-gallon surface storage tank. A 7.5-hp booster pump, located in the same pump house, elevates the water from the large tank to a 7,500-gallon redwood tank mounted on a wooden tower about 42 feet above the ground. By the manipulation of valves, the booster pump is also able to deliver water directly into the distribution mains in cases of emergency.

The distribution system in 1954 was reported to consist of approximately 13,000 feet of pipe varying in size from 3/4 to 4 inches

in diameter. During 1954 the system served an average of 189 customers; 137 of whom were metered. During 1955 additional mains were installed, including about 3,500 feet of 6-inch pipe and by the end of the year the distribution mains installed totaled nearly 30,000 feet and the number of customers had increased to about 250. The growth of metered customers is expected to continue as a number of subdivisions are either in the process of actual development or are being contemplated in the area.

By this Commission's Decision No. 50848, issued December 7, 1954, applicant was granted authority to serve water in Rohnerville in direct competition with Rohnerville Water Works. Applicant is now serving a few customers in such area.

Nature of Evidence

Applicant and an accountant and an engineer of the Commission staff presented exhibits and oral testimony respecting the past and prospective financial results of applicant's utility operations. The evidence shows that applicant has operated at a loss in each of the years 1951 through 1955. While initial losses, pending development of the system, were contemplated by applicant, continuing losses were not and applicant now seeks to have the losses halted and to receive a reasonable return on the investment in the system.

A summary of the respective showings of applicant and staff is as follows:

Summary of Earnings

Present Rates

Item	Year 1955		Year 1956
	Applicant	CPUC Staff	CPUC Staff
Operating Revenues	\$ 8,876.66	\$ 9,126	\$11,400
Operating Expenses:			
Before Taxes and Depreciation	8,882.29	7,850	8,500
Taxes	315.80	391	430
Depreciation	2,743.50	2,478	2,905
Total Operating Expenses	<u>11,941.59</u>	<u>10,719</u>	<u>11,835</u>
Net Revenue	(3,064.93)	(1,593)	(435)

(Loss)

a. Adjusted figure.

Requested Rates

Item	Year 1956, Estimated	
	Applicant	CPUC Staff
Operating Revenues	\$21,840.00	\$22,086
Operating Expenses:		
Source of Supply	528.96	400
Power and Pumping	2,226.89	2,100
Transmission and Distribution	5,248.38	2,400
Customer Accounting and Collecting	2,602.43	1,500
General	5,721.56	2,100
Depreciation	3,354.00	2,905
Taxes	459.80	3,012
Total Operating Expenses	<u>20,142.02</u>	<u>14,417</u>
Net Revenue	1,697.98	7,669
Rate Base (Depreciated)	-	69,300
Rate of Return	-	11.1%

The evidence is clear, as illustrated in the above tabulation of results of operations under existing rates, that applicant is in need of and entitled to increased revenues. Although bookkeeping entries record a nominal salary for applicant no salary in fact has been received because of over-all operating losses and the necessity of using all available cash for system additions and betterments and for payment of interest on an outstanding loan of \$12,000.

With respect to prospective operations, the above tabulation of results of operations under requested rates shows a number of

differences between the estimates of applicant and the staff. Each of the estimates assumes full-year 1956 operations under the rates requested by applicant, a situation which cannot now be realized. The difference in revenue estimates arises directly from the fact that applicant assumes that 50 customers will be added to the system during the year 1956 whereas the staff assumes 78 new customers. While the evidence indicates that the system is a growing one, it does not indicate that a constant growth of 78 customers can be anticipated in future years. We are of the opinion, therefore, that a reasonable estimate of gross revenues for a normal year 1956 will total that estimated by applicant. With respect to the various differences in tabulated operating expenses, three basic differences are apparent. The first seems to be that the staff considers the system still to be relatively new and hence not subject to the expenses of making major repairs or performing additional maintenance. On the other hand, applicant points to increases in repairs and maintenance which have occurred and anticipates no lessening of such expenses as the system becomes older. The second concerns payroll and, fundamentally, the salary chargeable to applicant. Applicant's estimate is based upon total actual payroll including an annual sum of \$1,800 for her own services. The staff, however, used an over-all total for management as a judgment figure tested as to reasonableness on a per customer basis. The third basic difference concerns taxes, the staff having included a computed amount of expenses to cover anticipated taxes on income, while applicant included no more than anticipated taxes on property and payroll.

Applicant did not develop a rate base for the calendar year 1956 but did set out in the record a total of utility plant, depreciated, as of June 30, 1956 and indicated a rate of return of 6 per cent on such base under the requested water rates. The staff-developed rate base shown in the above tabulation is fundamentally a

"near-future year" rate base and includes provisions for a new well and pump, new storage, new mains and new services. The amount included for a new well and pump (\$1,850) is only approximately 40 per cent of the total cost of similar facilities already in place and, according to applicant's testimony, much too low. One other element of rate base, that of an allowance for materials and supplies, was adjusted by the staff. The staff allowed an amount of \$1,500 for this item as a judgment figure, whereas applicant has approximately \$17,294 worth of materials and supplies on hand, much of it committed to immediate plant additions.

As above mentioned, applicant is in direct competition with a water system in Rohnerville, an area included in applicant's certificated area. Such operation has been found to be in the public interest primarily because of the deficiencies of the Rohnerville facilities.<sup>1/</sup> Because of such situation applicant believes that she is in a somewhat unique position respecting the application of applicant's rule governing the conditions and charges under which main extensions are made to serve new customers. Two specific situations are a matter of record in this proceeding. The first is that whereby applicant has agreed to lay mains through Rohnerville to reach the so-called Renner Subdivision and the Rohnerville Hospital. The estimated cost of the main necessary to reach the boundary of the subdivision nearest applicant's system totals \$10,000. Such main is considered by applicant to be in the nature of "backup" facilities, the piping of the tract itself being considered as a new main extension. Accordingly, applicant and the tract subdivider have entered into a written agreement whereby the subdivider would advance \$5,000

---

<sup>1/</sup> See Decision No. 50848, issued December 7, 1954.

towards the construction costs of the "backup" main without any entitlement to refunding or other reimbursement of such amount. Such agreement is intended to supplant the regular main extension rule. Approval of such written agreement is sought by applicant in this proceeding. In this respect we find that such agreement is not adverse to the public interest, is reasonable, and that applicant should be authorized to carry out its terms and conditions. ✓✓

The second situation involves extension of mains into the Rohnerville area to serve individual customers. Applicant has collected \$50 from each of three customers prior to establishing service to their premises. An engineer of the Commission termed such collections "deviations" from applicant's filed main extension rule and recommended that the payments be returned to the payors. The taking on of customers at widely scattered points in Rohnerville is uneconomical as far as applicant's operations are concerned and the taking on of customers under conditions contrary to applicant's general main extension rule would tend to place, if indeed it did not directly place, an undue burden on all others of applicant's customers. Applicant would provide Rohnerville residents with a superior and assured service, a service which a great many of such residents have heretofore demanded.<sup>2/</sup> It appears reasonable, therefore, that those desiring service from applicant in Rohnerville be required to contribute an amount which will relieve the others on applicant's system from carrying the burden of supplying them. In our opinion such requirement clearly can be met by proper application of applicant's regularly filed extension rule. No deviations therefrom will be authorized herein. The unauthorized amounts heretofore collected must be refunded.

<sup>2/</sup> See Decisions Nos. 48929, 49801 and 50848 in re Case No. 5453, Applications Nos. 34322 and 35012.

Conclusions

In view of the evidence and certain of its elements above discussed, we make the following findings and conclusions:

1. A fair and reasonable rate of return for this system is 6.5 per cent on a depreciated rate base of \$71,500 for the estimated and normalized year 1956. Applicant is in need of and entitled to increased revenues in the amount of \$8,350 annually. The rates hereinafter authorized should produce gross revenues of approximately \$19,250 annually, which revenues, after allowance for a total of all reasonable operating expenses of \$14,600, will yield such a return. The increased rates authorized will increase the amount of customers' bills by approximately 76 per cent.

2. The written agreement between Thelma B. Wood and Theodore P. Renner, dated September 7, 1955, respecting backup mains necessary to establish service to the latter should be approved. ✓

3. It is reasonable to require that applicant establish a second source of supply and provide additional water storage as planned by applicant.

4. The increases in rates and charges authorized herein are justified and present rates and charges, in so far as they differ from those herein authorized, are for the future unjust and unreasonable.

O R D E R

Based upon the evidence and the findings and conclusions contained in the foregoing opinion,

IT IS ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A and, on not less than five days' notice to the public and to this Commission, to make said rates effective for all service rendered on and after August 1, 1956.



2.a. Applicant is authorized to carry out the terms and conditions of the written agreement with Theodore P. Renner, dated September 7, 1955, pertaining to the "backup mains" estimated to cost \$10,000, provided that said agreement is so amended as to contain the following clause:

"This contract shall at all times be subject to such changes or modifications as the Public Utilities Commission may from time to time direct in the exercise of its jurisdiction."

b. If the authority herein granted above is exercised, within thirty days after the said agreement is amended as herein provided, applicant shall file with this Commission two certified copies of such amended agreement.

3. Applicant shall proceed to have installed a new well and associated pumping facilities capable of delivering approximately 300 gpm of water together with appropriate additional water storage capacity of approximately 50,000 gallons, such installations to be completed and in normal operations by not later than December 1, 1956. Further, applicant shall notify this Commission, in writing, of the date or dates upon which completion of such facilities is accomplished within ten days thereafter.

4. Applicant shall, within sixty days of the effective date of this order, file four copies of the forms it uses in its relations with its customers, as required by General Order No. 96, including sample forms of agreements to be executed in connection with main extensions, such filing to become effective on not less than five days' notice to the public and to this Commission after filing as herein provided.

5. Within ninety days after the effective date of this order applicant shall:

a. File in quadruplicate with this Commission, in conformity with the provisions of General

Order No. 96, an up-to-date tariff area map, such map to be effective upon not less than five days' notice to the public and to this Commission after filing as herein provided.

- b. File with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 400 feet to the inch, on which will be clearly delineated by appropriate markings the various tracts of land and territory served; the principal water production storage, transmission and distribution facilities; and the location of the various properties of applicant as they pertain to this water system.

6. Beginning with the year 1956, applicant shall determine depreciation expense by multiplying the dollar amount of depreciable fixed capital, exclusive of plant provided through contributions in aid of construction, by a rate of 3.7 per cent, such rate to be used until further review indicates that it should be revised. Further, applicant shall review said rate whenever major changes in plant composition occur and at intervals of not more than five years and shall submit to this Commission results of such reviews.

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

Dated at San Francisco, California, this 76<sup>th</sup> day of September, 1956.

[Signature]  
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
Page 1 of 3

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including Campton Heights Subdivision and the community of Rohnerville, Humboldt County.

RATES

Per Meter  
Per Month

Quantity Rates:

First	4,000 gallons or less .....	\$ 3.90
Next	16,000 gallons, per 1,000 gallons .....	.55
Next	20,000 gallons, per 1,000 gallons .....	.45
Next	25,000 gallons, per 1,000 gallons .....	.40
Next	35,000 gallons, per 1,000 gallons .....	.30
Over	100,000 gallons, per 1,000 gallons .....	.25

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 3.90
For	3/4-inch meter .....	5.00
For	1-inch meter .....	6.75
For	1 1/2-inch meter .....	8.00
For	2-inch meter .....	12.50
For	3-inch meter .....	25.00
For	4-inch meter .....	45.00

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

APPENDIX A  
Page 2 of 3

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including Campton Heights Subdivision and the community of Rohnerville, Humboldt County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For one single-family residence exclu- sive of any lawn or garden irrigation .....	\$5.00
For irrigation of lawn and garden areas by hose sprinkler or sprinkler system only .....	4.00
For each head of stock maintained or watered .....	.50

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 will be rendered only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service rendered to duly organized or incorporated fire protection districts or other political subdivisions of the State.

TERRITORY

The unincorporated area including Campton Heights Subdivision and the community of Robnerville, Humboldt County.

RATE

Per Month

For each fire hydrant .....	\$2.00
-----------------------------	--------

SPECIAL CONDITIONS

1. 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 its system.
2. The cost of installation and maintenance of hydrants will be borne by the utility.