

**ORIGINAL**Decision No. 53286

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 JULIO J. ROVAI and LOUIS J. ROVAI, )  
 for an order authorizing transfer )  
 of the RIO DELL WATER SYSTEM. )      Application No. 37725

In the Matter of the Application of )  
 JULIO ROVAI and LOUIS ROVAI, doing )  
 business as RIO DELL WATER SYSTEM, )  
 for an order authorizing the issu- )  
 ance of a \$24,500 note. )      Application No. 37758

In the Matter of the Application of )  
 JULIO J. ROVAI and LOUIS J. ROVAI, )  
 copartners, doing business under )  
 the fictitious name and style of )  
 RIO DELL WATER SYSTEM, for an order )  
 authorizing permission to increase )  
 water rates. )      Application No. 37684

Irwin T. Quinn and Melvin S. Johnson  
 by Melvin S. Johnson, for applicants;  
John D. Reader and L. L. Thormod, for  
 the Commission staff.

O P I N I O N

The first two of the above-entitled applications have been disposed of by this Commission's Decision No. 52796 issued March 19, 1956. The third, Application No. 37684, relative to applicants' request for increased rates, was the subject of public hearing held before Examiner F. Everett Emerson on March 27, 1956 at Rio Dell, Humboldt County.

Rates, Present and Requested

Applicants' present rates have been effective since March 15, 1952. Such rates are compared with those requested in the following tabulation.

Metered Water Service

Quantity Charge:	Per Meter per Month		
	Present	Requested	Per Cent Increase
First 500 cu.ft. or less	\$2.15	\$3.50	63%
Next 500 cu.ft., per 100 cu.ft.	.37	.60	62
Next 1,000 cu.ft., per 100 cu.ft.	.30	.50	67
Over 2,000 cu.ft., per 100 cu.ft.	.20	.30	50

Flat Rate Water Service

	Per Month		
	Present	Requested	Per Cent Increase
Residences	\$2.40	\$4.00	67%
Stores and Shops	2.70	4.50	67
Hotels and Boarding Houses	4.80	7.80	62
Fire Hydrants	-	3.50	-
Fire Cisterns	-	3.50	-

Applicants supply water to approximately 400 metered and 350 flat rate business and residential customers.

Nature of Evidence

Applicants allege that recent floods in northern California have caused damage to the water system and that the required repairs and replacements as well as additions and betterments long needed are the basis for the rate increases sought. Of the flood damage we take official notice and have heretofore authorized applicants to borrow money for needs engendered by such floods.

Applicants' showing indicates operating losses. However, such showing appears to be so confused as to be wholly unreliable. Full reliance, therefore, will be placed upon the investigation of applicants' operations by experts of the Commission staff who testified at length respecting the earnings position of applicants and the physical aspects of the utility operations. A summary of the results of applicants' operations, respecting their earning position, is as follows:

Summary of Earnings

## PRESENT RATES

Item	Year		
	1954	1955 <sup>a</sup>	1956 <sup>b</sup>
Operating Revenues	\$24,327	\$27,511	\$ 27,510
Operating Expenses	21,464	24,075	24,128
Net Revenue	2,863	3,436	3,382
Rate Base (Depreciated)	71,496	81,323	111,373
Rate of Return	4.0%	4.2%	3.0%

- a. Adjusted.  
b. Estimated.

## REQUESTED RATES

Item	Year	
	1955 <sup>a</sup>	1956 <sup>b</sup>
Operating Revenues	\$43,594	\$ 44,960
Operating Expenses	28,755	29,138
Net Revenue	14,839	15,822
Rate Base (Depreciated)	81,323	111,373
Rate of Return	8.2%	14.2%

- a. Adjusted.  
b. Estimated.

Adjustments and estimates made by the staff give full recognition to amortization of nonrecurring repairs expense over a reasonable period of time, include increased pumping expenses occasioned by flood damage loss of Dean Creek springs as a source of supply, include full amounts for all applicable taxes (including State and Federal taxes on income) and fully include all reasonable plant items such as a new source of supply, new plant items replacing flood damaged or destroyed facilities, and applicants' proposed construction program for 1956. It presupposes a reasonably efficient operation of the utility to which the utility customers are entitled. In view of the evidence, we find the above tabulations, as testified to by staff witnesses, to be a fair and reasonable determination of applicants' earnings positions in the years shown.

The record in this proceeding, as in the last prior rate proceeding, contains the testimony of water users that the service rendered is deficient. The testimony also indicates that such deficiency results primarily from inadequately sized mains in several portions of the system. Applicants have heretofore been placed upon notice to correct such deficiencies. The evidence is clear that the needed improvements have not been accomplished and that many customers still receive poor service. Such situation must be promptly corrected.

#### Conclusions

In view of the evidence we find that applicants are in need of and entitled to increased gross revenues but in a lesser amount than that sought. Applicants will be accorded rate relief. We further find that, in the public interest, plant improvements and operating improvements are required and that it is reasonable to require that applicants make the improvements hereinafter ordered. The Commission finds the fact to be that the facilities and services of applicants are unreasonable, inadequate and insufficient and that public convenience and necessity require the improvement of service and facilities as directed in the order following.

In our opinion a fair and reasonable rate of return on a depreciated rate base for this utility is 6.5 per cent. Such a return on the staff developed 1956 rate base of \$111,373, which we hereby find to be fair and reasonable, would develop a net revenue of approximately \$7,240. After due allowance for all reasonable operating expenses totaling \$26,000 (such total including amounts for taxes, depreciation, amortization of nonrecurring damage expenses, and implementation of the operation and maintenance of an improved system) a gross revenue requirement of \$33,240 is indicated. Applicants' present rates will be increased to produce such a gross revenue. Applicants are placed upon notice, however, that such

increased rates are predicated upon correction of existing system deficiencies as well as upon their financial requirements and that less than satisfactory performance may bring about a reopening of this proceeding with a view toward rescinding a part or all of the increases granted.

Partial metering of a water system is objectionable and fosters discrimination. Applicants should meter all new customers and, over a four-year period, meter all existing customers.

It is hereby found that the increases in rates and charges, to the extent authorized herein, are justified and that 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

Julio J. and Louis J. Rovai (Rio Dell Water System) having applied to this Commission for an order authorizing increases in rates and charges for water service rendered by them in Rio Dell, Humboldt County, public hearing thereon having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. Applicants are authorized to file in quadruplicate with the Commission, on or after the effective date of this order and in conformity 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. Within sixty days after the effective date of this order applicants shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, rules and regulations revised to reflect present day practices and relations

with their customers, together with four copies of a tariff service area map acceptable to this Commission. Such rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Within ninety days after the effective date of this order applicants shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of approximately 300 feet to the inch, clearly indicating thereon by appropriate markings the various tracts of land and territory served, the production, storage and distribution facilities and the various properties of applicants as they pertain to this system.

4. Beginning with the year 1956, applicants shall determine depreciation expense by multiplying the dollar amount of depreciable fixed capital by a rate of 2.7 per cent, using such rate thereafter until review indicates that it should be revised. Further, applicants shall review such rate, using the straight-line remaining life method of depreciation accounting, whenever major changes in plant composition occur and at intervals of no more than five years. Results of these reviews shall be submitted to this Commission.

5. By June 1, 1957, applicants shall have so improved their water system that no customer receives a working pressure of less than 25 pounds per square inch measured at the customers service connection or meter. Further, applicants shall report to this Commission in writing every three months, commencing December 10, 1956, the steps taken and proposed to effect such minimum working pressure.

6. Applicants shall program and undertake the replacement of distribution mains of less than 2-inch nominal diameter and shall program and undertake the installation of meters so that by not later than December 31, 1959 no main of lesser diameter serving five or

more customers nor no unmetered service connection exists on the system. Further, applicants shall report to this Commission in writing by January 15 of each year the steps taken and proposed to effect such improvements to the system, until accomplished.

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

Dated at San Francisco, California, this 26<sup>th</sup> day of June, 1956.

[Signature]  
President

[Signature]

[Signature]

[Signature]

Commissioners

Commissioner Rex Hardy, be 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 Rio Dell, Humboldt County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less .....	\$ 2.70
Next 500 cu.ft., per 100 cu.ft. ....	.45
Next 1,000 cu.ft., per 100 cu.ft. ....	.35
Over 2,000 cu.ft., per 100 cu.ft. ....	.25
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.70
For 3/4-inch meter .....	3.50
For 1-inch meter .....	5.00
For 1 1/2-inch meter .....	9.00
For 2-inch meter .....	12.00
For 3-inch meter .....	20.00

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

APPENDIX A  
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Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Rio Dell, Humboldt County.

RATES

	<u>Per Service Connection Per Month</u>
For each residence .....	\$2.90
For each store or shop .....	3.00
For each hotel or boarding house. ....	6.00

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.
2. A meter 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. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to duly organized or incorporated fire protection districts or other political subdivisions of the State.

TERRITORY

The unincorporated community of Rio Dell, Humboldt County.

RATE

Per Month

For each fire hydrant or cistern ..... \$3.50

SPECIAL CONDITIONS

1. The above rate includes use of water for fire fighting and for no other purposes. Quantities of water delivered through fire hydrants or from cisterns 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. 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.