

**ORIGINAL**

Decision No. 53796

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
WILLIAM E. KRUM and RITA KRUM, )  
husband and wife, dba SHASTINA WATER )  
SERVICE, for an order authorizing an )  
increase in rates for water service )  
rendered in and adjoining the unin- )  
corporated town of Shastina, Siskiyou )  
County, California. )

Application No. 37252  
(Amendment to Application)

William E. Krum and William Stava for applicants.

E. Ronald Foster, for the Commission staff.

O P I N I O N

Nature of Proceeding

William E. Krum and Rita Krum, doing business as Shastina Water Service, by this application filed August 25, 1955, and amended November 21, 1955, seek authority to increase the rates for water service supplied in and about the unincorporated town of Shastina, Siskiyou County.

Public Hearing

The application was submitted for decision, subject to the filing of late-filed exhibits, at a public hearing held before Examiner Edward F. Walsh at Weed on July 26, 1956. The late-filed exhibits were received on August 6, 1956. There were no objections to applicants' proposals.

Description of System

The water system is largely supplied by gravity and the service area is divided into two pressure zones. Water is supplied from five springs and a well. Water from Spring No. 1 is pumped

into two interconnected, concrete tanks of 28,000- and 68,000-gallon capacity located at an elevation high enough to supply any part of the service area. Water from Spring No. 2 and Spring No. 3 is fed directly into the distribution system of the lower pressure zone. Springs Nos. 4 and 5 and the well are located on property rented on a long-term lease and deliver water to a 42,000-gallon steel tank which supplements the water supply to the upper pressure zone.

The transmission and distribution system consists of approximately 43,000 feet of pipe varying from 1 inch to 10 inches in diameter.

In 1955 there was an average of 367 customers, 315 of whom were metered.

#### Rates

Applicants' existing flat rates, based on the nature of the premises served, range from \$1.50 per month for a private residence to \$13.20 per month for a large hotel. Requested flat rates range from \$2.25 per month for a private residence to \$19.80 per month for a large hotel. This is an over-all increase of approximately 50 per cent over existing flat rates.

There are two schedules of meter rates on file, one being an optional meter rate. However, all metered customers, except four, receive water and are charged on the basis of the optional meter schedule. Applicants request that one schedule of meter rates be established in order to simplify the company's rate schedule. ✓

The following tabulation shows a comparison of the present meter rates and those proposed by the applicants:

ITEM	Per Meter Per Month		
	Present Rates		
	Schedule No. 1	Optional No. 2	Proposed Rates

Quantity Rates:

First 700 cu. ft.	\$ 1.75	\$ -	\$ -
Next 500 cu. ft., per 100 cu. ft.	.15	-	-
First 1,200 cu. ft.	-	-	3.00
Next 800 cu. ft., per 100 cu. ft.	.15	-	.15
First 2,000 cu. ft.	-	2.50	-
Next 1,000 cu. ft., per 100 cu. ft.	.15	.08	.15
Over 3,000 cu. ft., per 100 cu. ft.	.10	.08	.15

Minimum Charges

For 5/8 x 3/4-inch meter	\$ 1.75	\$ 2.50	\$ 3.00
For 3/4-inch meter	2.00	3.00	3.50
For 1-inch meter	3.00	4.00	5.00
For 1 1/2-inch meter	4.50	6.00	8.00
For 2-inch meter	7.00	10.00	18.00

Summary of Presentations

Applicants and the Commission staff presented testimony and exhibits showing the results of applicants' operations. The respective showings are summarized as follows:

Item	1956 Estimate			
	Present Rates		Proposed Rates	
	Applicant	CPUC Staff	Applicant	CPUC Staff
Operating Revenue	\$13,653	\$13,650	\$19,420	\$19,725
M & O Expenses, Exclud.				
Taxes and Depreciation	10,286	9,435	10,286	9,435
Taxes other than income	663	720	663	720
Depreciation	2,733	2,580	2,733	2,580
Taxes based on income		190	1,241	1,719
Total Expenses	13,682	12,925	14,923	14,454
Net Revenue	(29)	725	4,497	5,271
Average Depreciated Rate Base	68,900	67,793	68,900	67,793
Rate of Return	-	1.07%	6.53%	7.78%

(Red Figure)

The average depreciated rate base as set forth in the above tabulation, as estimated by both the applicants and the Commission staff includes an amount to provide for the addition of a 100,000-gallon storage tank. The applicants estimated the cost of the installation to be \$18,000 while the Commission staff estimated the cost of such an installation would be \$9,350. However, at the hearing, the applicant testified that such a tank would not be installed until some time in 1958. Under these circumstances it would not be proper to include either sum as an item of fixed capital for rate making purposes at this time.

#### Conclusions

In all events, it appears from the evidence that the gross revenues obtainable from existing water rates are insufficient to meet the reasonable costs of operating and maintaining the existing water system. Applicants are in need of and entitled to rate relief.

We find a fair and reasonable rate of return on a depreciated rate base for this utility is 6.5 per cent.

The depreciated rate base hereby found to be fair and reasonable for this utility for the year 1956 is \$57,045, developed from the detailed exhibits of record in this proceeding as follows:

Weighted Average Fixed Capital, 1956	\$100,123
100,000-gallon tank	(9,350)
Adjusted Wtd. Avg. Fixed Capital, 1956	90,823
Materials and Supplies	1,500
Working Cash Allowance	1,650
Sub-total	93,973
Weighted Average Depreciation Reserve	(36,928)
Depreciated Rate Base, Year 1956	\$ 57,045
<u>(Subtractive Item)</u>	

A rate of return of 6.5 per cent on such rate base would develop a net revenue of \$3,708. After due allowance for all

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reasonable operating expenses, including taxes and depreciation, totaling \$14,039 a gross revenue requirement of \$17,750 is indicated. The rates hereinafter authorized should produce such revenues. We find, therefore, that the increases in rates and charges hereinafter authorized are justified and that present rates and charges, in so far as they differ from those authorized herein, are for the future unjust and unreasonable.

Applicants will be required to carry out certain of the recommendations contained in Chapter 12 of Exhibit 5, the staff report in evidence. To the extent that certain proposed improvements and additions to plant have been included in the rate base developed above, the order herein will require the replacement of transmission and distribution mains and the installation of meters on existing services. In order to entirely eliminate unfair discrimination between metered and flat-rate customers, applicants should arrange to progressively install meters on the relatively few remaining flat-rate services so that the system will be 100% metered by the end of 1957 or sooner. As soon as financing will permit, applicants also should proceed with the installation of a storage tank of approximately 100,000-gallon capacity in order better to meet the peak demands on the water system.

#### O R D E R

William E. Krum and Rita Krum having applied to the Commission for an order authorizing increases in water rates, a public hearing having been held and the matter having been submitted for decision,

IT IS ORDERED as follows:

(1) Applicants are 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, after not less than five days' notice to the public and to this Commission, to make such rates effective for all service rendered on and after November 1, 1956.

(2) Beginning with the year 1956 applicants shall determine depreciation expense by multiplying the depreciable fixed capital by a rate of 2.7 per cent. This rate shall be used until review indicates it should be revised. Applicants shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable fixed capital occur and 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.

(3) That within thirty days after the effective date of this order, applicant shall file with this Commission four sets of up-to-date rules governing customer relations, together with four copies of a revised tariff service area map, acceptable to the Commission and in accordance with the requirements of General Order No. 96. Such rules and tariff service area map shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.

(4) That within forty 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 not smaller than 200 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 the various properties of applicants.

(5) That within six months after the effective date of this order, applicants shall complete the improvements and additions to the water system referred to in the preceding opinion of this order, as follows:

- a. Replace with six-inch steel pipe all of the existing redwood water mains consisting of some 750 feet of six-inch and some 1,200 feet of four-inch pipe and also the existing four-inch pipe lines some 1,050 feet in length extending from water storage tanks No. 1 and No. 2 to the intersection of Fourth and Oregon Streets.
- b. Install not less than 32 meters on the services of residential and business customers now being served at flat rates whose usage of water is indicated to be the largest of such flat rate customers.

(6) Applicants shall inform the Commission in writing of the completion of the installation and operation of the facilities ordered in the above paragraph 5, within ten days after such completion.

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

Dated at San Francisco, California, this 25<sup>th</sup> day of SEPTEMBER, 1956.

*John L. Mitchell*  
 President

*Justus D. Casper*

*Paul L. Intaravice*

*Thomas J. ...*

*W. ...*  
 Commissioners

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community known as Shastina, and vicinity, located adjacent to the unincorporated town of Weed, Siskiyou County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less .....	\$ 2.75
Next 1,000 cu.ft., per 100 cu.ft.....	.25
Over 2,000 cu.ft., per 100 cu.ft.....	.15
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.75
For 3/4-inch meter .....	3.50
For 1-inch meter .....	5.00
For 1-1/2-inch meter .....	8.00
For 2-inch meter .....	12.00

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. 2L

LIMITED FLAT RATE SERVICEAPPLICABILITY

Applicable to water service furnished on a flat rate basis to business establishments indicated in this schedule.

TERRITORY

The unincorporated community known as Shastina, and vicinity, located adjacent to the unincorporated town of Weed, Siskiyou County.

RATES

	<u>Per Service Connection per Month</u>
1. For each residence, exclusive of bath or toilet facilities .....	\$ 2.00
a. In addition, for each bathtub or shower..	.40
b. In addition, for each flush toilet .....	.80
2. For each business establishment presently classified as:	
a. Large hotel .....	\$17.00
b. Small hotel .....	6.00
c. Meat market .....	13.25
d. Meat market, small .....	7.75
e. Barber shop .....	5.50
f. Pool room .....	4.75
g. Garage .....	4.00
h. General merchandise store .....	4.75
i. Confectionery store .....	2.75
j. Restaurant .....	6.75
k. Chinese laundry .....	7.75
l. Jewelry store .....	2.00

SPECIAL CONDITIONS

1. 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.

2. This schedule is limited to service for the above classifications at those premises being served under this schedule on the effective date of this tariff sheet.