

Decision No. 54667**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
the Fall River Mills Company, a)	
corporation, for authority to increase)	Application No. 38083
rates under Section 454 of the Public)	
Utilities Code.)	

Joseph B. Mortensen for Applicant.
Walter G. Cavagnaro for the Commission Staff.

O P I N I O NNature of Proceeding

Applicant corporation by this application filed May 31, 1956 requests authority to increase its rates. The proposed rates are estimated by applicant to produce a rate of return of approximately 7 per cent on a depreciated rate base of \$7,582.47.

Public Hearing

Public hearing was held in Fall River Mills on September 27, 1956, before Examiner Rowe, at which time evidence both oral and documentary was adduced and the matter duly submitted for decision. Adequate notice of this hearing was given the public and the customers, but no one appeared in opposition.

Applicant's Operations

Applicant serves approximately 200 water customers. According to the testimony of the president of applicant, the system, at the time he acquired the corporate stock, was in need of extensive repairs. The results of bacteriological analyses as reported by the State Department of Public Health indicated that the water was in a contaminated condition. Since acquiring all the shares of capital stock of the applicant this witness has caused extensive repairs to the system and has improved and remodeled the settling basin so that the

water is now clear and free of sediment. A hydrochlorinator has been installed and is now in operation. As a result the water is now in good condition. The school district has abandoned its purchase of bottled water and the children drink the water supplied by applicant without deleterious effect. The Department now reports this water shows no contamination and is chlorinated. However, due to the age of the transmission and other pipes many need repairs, and replacements will be required from time to time. This will necessarily require much time and work by this witness who, as a qualified plumber, is doing this work himself in addition to his other duties of general supervision.

Report of Study by Commission Staff

A report on the operation of the Fall River Mills water Company was prepared by the Commission staff. This report presents the results of the utility's operations for the year 1954 recorded, for the year 1955 recorded and adjusted, and for the year 1956 estimated. It also included analyses and estimates of revenue, operating expenses, taxes, utility plant, and depreciation and culminates in the development of rate bases and a summary of earnings. A review of service, rates, and recommendations is included. These recommendations are found to be justified and provisions requiring compliance will be included in the following order.

Description of System

The source of water supply for this utility is Fall River. At the present time about 205 gallons per minute is taken at a diversion point approximately two miles northwest of the town of Fall River Mills. The water is delivered by the Pacific Gas and Electric Company to a settling basin located in the applicant's service area, without charge and in accordance with a contract between said company and applicant. Water is pumped from the settling basin to four tanks having a combined storage capacity of 27,000 gallons. Water is fed to the system by gravity.

Rates

The schedules of rates for water service, presently in effect for the Fall River Mills Water Co. Inc., were authorized by Decision No. 5477 dated June 11, 1918, in Application No. 3534, and have been in effect since that time.

The following tabulation shows a comparison of applicant's present and proposed flat rates as they appear in its application.

Classification	:Per Connection Per Month:	
	: Present :	Proposed :
Residence	\$1.00	\$3.50
Livery Stable	2.00	-
Hotel, lodging or boarding house	2.50	-
Store, each	1.00	-
Garage	1.50	5.00 ^a
Each head of stock over one kept by private family	.25	-
Bathtub, patent toilet or lavatory	.25	-
Laundry	3.00	-
Barber shop with one chair	1.00	-
Each additional chair	.50	-
Dentist's office	1.00	-
Public watering trough	2.00	-
Public bathtubs	1.00	-
Blacksmith and wagon shop	2.00	-
Lodge or meeting room	.50	2.25 ^b
Photograph studio	2.00	-
Packing houses	2.50	-
Water power motors for office or household use	1.00	-
Water used by buildings under construction	1.00	-
Gardens or lawns, per 100 sq. ft.	.03	.30
Fire hydrants for use in case of fire only	.50	-
Stands for sprinkling streets, etc. to include use provided in foregoing rate	1.00	-
Minimum bill shall not be less than	.50	-
Each additional residential or commercial unit on same premises	-	2.50
Each water cooler circulating type	-	.25
Each water cooler non-circulating type	-	.75
Each automatic washer	-	1.00

a. This rate is also proposed for each soda fountain, bar and cafe.

b. This rate is also proposed for each public ball, church or club room.

At the hearing applicant made minor amendments to his proposed flat rates to include hotels and motels at the \$5.00 rate, to include business offices at the \$2.25 rate, and to withdraw the requested rate of \$1.00 for automatic washers. Applicant also stated that he proposed to apply the flat rate for irrigation and water

coolers during the summer months only.

The following tabulation shows a comparison of applicant's present and proposed meter rates:

Quantity Rates	<u>Per Meter Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
First 300 cu.ft. or less	\$1.00	\$3.00
Next 100 cu.ft., per 100 cu.ft.	.25	a
Next 1,600 cu.ft., per 100 cu.ft.	.25	.25
Next 3,000 cu.ft., per 100 cu.ft.	.15	.20
Over 5,000 cu.ft., per 100 cu.ft.	.15	.15
<u>Minimum Charges</u>		
For 5/8" x 3/4" meter	-	\$ 3.00
For 3/4" meter	-	4.00
For 1" meter	-	5.50
For 2" meter	-	13.00
For 3" meter	-	21.00
For 4" meter	-	32.00
For each additional residential or commercial unit on the same service connection	-	2.50

a Included in minimum charge

Conclusions

The Commission staff engineer witness explained his method of computing the rate base. No value was allowed for the contract which applicant has with Pacific Gas and Electric Company to deliver water to the system free of charge. Some recognition perhaps should be given representative of the cost of obtaining this contract, but in the absence of evidence it cannot be included in the rate base at this time.

With respect to the company's depreciation reserve, the staff engineer testified that the reported amounts were not indicative of the present age life relationship of the plant and that no formal depreciation study of this utility had been made since 1917. In order to determine a more realistic reserve, the staff engineer made a depreciation reserve requirement study which resulted in an adjusted depreciation reserve as of December 31, 1955 of \$6,684. Deducting an average depreciation reserve based on this study from the other items of rate base estimated by the staff engineer resulted in an average

depreciated rate base of \$16,906 for the year 1956. This depreciation reserve requirement and rate base are adopted for the purpose of determining reasonable rates.

The company witness stated that in his opinion a salary of \$3,600 was reasonable and justified in view of the fact that the system was old and in need of many repairs and some replacements which would require much time and labor on his part in maintenance work. The staff witness had recommended an allowance for salary of \$2,820 each year based upon more nearly average maintenance requirements. In view of the evidence of record the Commission finds that a salary of \$3,600 per year is justified under present and reasonably anticipated conditions of this plant. A summary of expected earnings as developed at the hearing is as follows:

SUMMARY OF EARNINGS
(Amended Rates - Salary \$3,600)

Note: Salary estimated by utility owner Mortenson.

	1955 Adjusted		1956 Estimated	
	:Present: : Rates :	:Appl. Prop. : : Rates :	: Present: : Rates :	: Applicant's : : Prop. Rates :
Operating Revenue	\$ 4,388	\$ 8,457	\$ 4,518	\$ 8,700
M & O Expenses (No Tax-Dep.)	6,080	6,080	6,110	6,110
Taxes other than Income	213	213	235	235
Depreciation	732	732	737	737
Income Taxes	25	469	25	531
Total Deductions	7,050	7,494	7,107	7,613
Net Revenue	<u>2,662</u>	963	<u>2,589</u>	1,087
Avg. Depr. Rate Base	17,475	17,475	16,906	16,906
Rate of Return	Loss	5.5%	Loss	6.4%

Red Figures

It is found as a fact that the increases in rates and charges authorized herein are justified and that existing rates and charges, insofar as they differ therefrom, 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:

(1) That applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96, the schedules of rates set forth in Appendix A attached to this order and, upon not less than five days' notice to the public and to this Commission, to make said rates effective for service rendered on and after December 1, 1956.

(2) That within sixty 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 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.

(3) That within ninety days after the effective date of this order applicant shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principle water production storage and distribution facilities; and the location of the various properties of applicant.

(4) That beginning with the year 1956, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.3%. This rate shall be used until review indicates it

should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable utility plant occur or, in any event, 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.

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

Dated at San Francisco, California,
this 13th day of November, 1956.

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

Commissioners

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

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Fall River Mills, Shasta County.

RATES

Per Meter
per Month

Quantity Rates:

First	400 cu.ft. or less	\$ 3.00
Next	1,600 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	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.

SPECIAL CONDITION

When more than one residence is served from the same meter and one bill rendered for the combined service, an additional minimum charge will be applied to each additional residence.

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Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated community of Fall River Mills, Shasta County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
1. For a single family residential unit on a single lot	\$3.50
a. For each additional residential unit on the same premises served from the same service connection	2.50
2. For each soda fountain, tavern, cafe, service station, hotel or motel	5.00
3. For each public hall, church, club room, lodge room or business office	2.25
4. In addition to regular flat rates, during the months of May, June, July, August and September:	
a. For all irrigation or sprinkling of gardens or lawns, per 100 square feet irrigated30
b. For each window box type air cooling unit:	
For water wasting type75
For recirculating type25

SPECIAL CONDITION

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