

ORIGINAL

Decision No. 56387

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of NEVEN R. GEORGE, DOS RIOS WATER SYSTEM, to in- crease present established rates for water service.))))	Application No. 39219
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Neven R. George, for applicant.
James J. Roddy, for the Commission staff.

O P I N I O N

Neven Rex George, doing business as Dos Rios Water System, by the above-entitled application seeks authority to increase his rates for water service in the unincorporated town of Dos Rios, located some 30 miles northeast of the City of Willits in Mendocino County.

A public hearing was held on December 3, 1957, at Dos Rios at which time evidence was presented and the matter duly submitted. A majority of the consumers of this system appeared in protest to the application declaring that the poor quality of service rendered during the summer months constituted the basis of their objection. Various petitions, offered into evidence, were presented by these consumers, one of which suggested a counter-proposal reducing rates by 25 per cent.

General Information

This water system commenced operations in 1911 when one H. H. Beard delivered water to the Utah Construction Company in connection with the construction of the Northwestern Pacific Railroad in the vicinity of Dos Rios. Subsequently water service was extended to the inhabitants of Dos Rios as well as to the railroad. The

present owner purchased the system in 1953 and has operated it continuously since that time. The water supply for this utility is obtained from a number of springs at an 1800-foot elevation in an area about one mile southeast of the town. Water from the springs empties into a 50-gallon concrete catch basin and is transported through approximately 6,000 feet of 1-inch main from the basin to a 6,000-gallon redwood tank, located above and east of the community. Water is then distributed by gravity to the customers in Dos Rios through about 1,000 feet of 1-inch pipe and 300 feet of 3/4-inch main. This operation is entirely gravity operated. By a combination of valves and checks the aforementioned storage tank is able to supply the customers with water. The record indicates that most of the original plant is still in use, except for replacements made since 1952.

Basis of Application

Applicant bases his application in effect on his contention that the present rates are not producing and would not produce sufficient revenues, when considered together with his operating expenses, to enable him to earn a fair rate of return on his estimated rate base. He states that he has been unable to obtain financial assistance from private or institutional lenders with which to finance repairs of his distribution system and as a consequence the company must rely exclusively on operating revenues for such purpose.

Service to domestic and commercial consumers is on a flat rate charge. Under applicant's present rates he alleges that he has been losing money every year for the past three years; his profit and loss statements show a net loss of \$626.21 for 1954, \$573 for 1955, and \$443.89 for 1956. Under the proposed rates set forth in his application, it is estimated that the revenues will produce income which will enable him to receive a small rate of return and

thus inaugurate his program of improvements. Such program includes, among other things, improvement of the source of water facilities of the settling basin, transmission line replacements, storage facilities repair, and overhaul of the distribution system.

Earnings

The staff offered into evidence an engineering report, Exhibit No. 2, showing a summary of the earnings of this utility as follows:

Item	Year 1957			
	Year 1956		Present	Proposed
	Recorded	Adjusted	Rates	Rates
Operating Revenues	\$499	\$532	\$600	\$1,326
<u>Deductions</u>				
Operating Expenses	272	600	600	600
Taxes other than income	27	27	30	30
Depreciation	588	113	113	113
Income Taxes	-	-	-	121
Total Deductions	887	740	743	864
Net Revenue	(388)	(208)	(143)	462

(Red Figure)

Expenses

The normal operation of a water system of this type and size requires only part-time personnel for maintenance and repairs. About the only expense connected with the operation of the system is allowance for keeping the collecting and storage tanks clean, repairing any breaks which might occur in the mains, the preparation and collection of bills, and incidental office expense. The staff's report on expenses indicated that considerable adjustment was made to the applicant's recorded expenses, especially on the question of depreciation, however, under either expense statement this utility's deductions have been exceeding its operating revenues. The staff added income taxes of the sole proprietor in its calculations, an item not previously included by the applicant.

Rate Base and Rate of Return

We do not feel that it is practicable under the circumstances to attempt either to establish a rate base or to relate net revenues thereto for the purpose of rate fixing in this proceeding. While both applicant and the staff did make rate base estimates, neither's results can be said to be controlling. Accordingly, applicant's need or entitlement to increased revenues will be viewed without the customary measurement of net revenues related to a depreciated rate base as a test of the reasonableness of applicant's rate proposal.

Adequacy of Service

The protestants offered evidence that water service during the summer months was grossly inadequate. Customers at the higher elevations complained that the pressure was reduced considerably when consumers at the lower levels used the water; at times many such consumers, including the school, were without any water for periods lasting from 48 to 72 hours. The applicant offered no evidence to dispute these claims.

The staff's evidence disclosed that undersized 1-inch transmission mains in this gravity-type system combined with the mountainous terrain accounted for this deficiency and that a larger 2-inch distribution pipe was needed in order to materially improve this condition. However, it was pointed out that the cost of such pipe at \$1.75 per foot for 6,000 feet would be prohibitive for this operator at this time; it was recommended that, in lieu thereof, a 10,000-gallon tank be installed at a site west of the river near the school between the 1,160 and 1,200-foot elevation. The staff claims this tank would store water at night when the demand was low and thus make available a more adequate supply during the daylight hours. The proposed cost of this installation would be approximately \$1,200.

It was also recommended that this utility file a schedule of rates for metered services; no meters are now, or have been, used on this utility.

Findings and Conclusions

Based upon the evidence of record we find and conclude:

1. That the applicant is in need of financial relief; we find a rate increase is needed and justified. Accordingly we find that the rates set forth in Appendix A to the order that follows are just and reasonable and will produce only a nominal return. We have considered, among other things, in evaluating these rates the fact that there has been no rate increase on this system since 1923, and that the applicant serves approximately 20 widely scattered consumers with small transmission lines in a mountainous area under conditions presenting difficult maintenance and operation problems. Costs in this area are high because of this community's isolation. Further, these rates are comparable to rates of other systems of the same size under similar conditions in similar localities.

2. That rates for seasonal, as distinguished from permanent, residents must be adjusted as set forth in said Appendix A. Although said residents contribute to the heavy demand placed upon the system during the warm months the applicant's proposed rates for such users are inequitable. Billing procedures for these consumers as described in said Appendix A are found to be reasonable under these circumstances.

3. That summer season water service is manifestly deficient and that steps must be taken by the utility as hereinafter ordered. Service during the balance of the year is found to be adequate.

4. A 10,000-gallon tank is necessary and should be installed as recommended. This utility needs the improvements, especially the enlarged transmission lines, as contemplated by the applicant.

However, a realistic approach clearly shows that even with the rate increase granted by this decision it will not be able in the immediate future to obtain sufficient revenue from operations to make such changes. This tank is a compromise and will not completely cure the shortcomings in the transmission of water during the months but will alleviate the situation and provide for satisfactory service for the present. It may be that in view of this rate increase outside capital will be attracted to this system; the present users should not be required, as rate payers, to finance the proposed expenditures.

5. That a schedule of rates for metered service is necessary and as set forth in the attached Appendix A is fair and reasonable.

Meters should be installed and service shall be instituted at the option of either the utility or the customer under the conditions described.

The Commission finds therefore that the increases in rates and charges authorized herein are justified and that the present rates in so far as they differ from those herein prescribed are for the future unjust and unreasonable.

O R D E R

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

IT IS ORDERED as follows:

1. Neven R. George, doing business as Dos Rios Water System, is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A and, upon not less than five days' notice to the public and to this Commission to make such rates effective for all service rendered on or after April 16, 1958.

2. Within sixty days after the effective date of this order, Neven R. George shall file with this Commission four copies of a comprehensive map drawn to an indicated scale of not more than 400 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 water utility properties of the Dos Rios Water System.

3. Beginning with the year 1957, Neven R. George shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.8 per cent. This rate shall be used until review indicates that it should be revised. Neven R. George shall review the depreciation rate using the straight-line remaining life method when major changes in utility plant composition occur and at intervals of not more than three years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

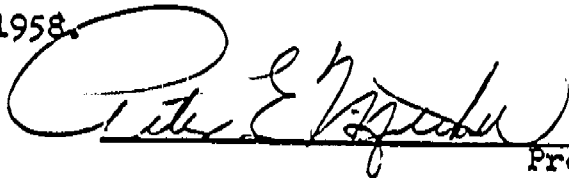
4. Neven R. George shall cause to be constructed a 10,000-gallon redwood tank at a site, near the Dos Rios schoolhouse, between the 1,160 and 1,200-foot elevation. Said tank shall be completed and placed in operation by applicant by June 1, 1958. Neven R. George shall inform the Commission in writing of the completion of the installation and placing in operation of said tank within ten days thereafter.

5. Neven R. George shall, within 180 days after the effective date hereof, submit to the Commission, in writing, a program designed to replace the existing 1-inch steel transmission pipe with pipe of not less than 2 inches; a report to the Commission of the progress of this program shall be made every 180 days thereafter for a period of two years. Said report shall include the names, addresses, and the extent of negotiations, of all private lenders and public lending

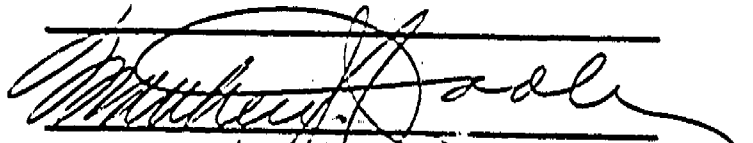
institutions which have been contacted by Neven R. George in connection with financing of said replacements.


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

Dated at San Francisco, California, this 17th day of March, 1958.



President





Commissioners

APPENDIX A
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Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated community of Dos Rios and vicinity, Mendocino County.

RATES

Monthly Quantity Rates:		Per Meter Per Month
First	800 cu.ft. or less	\$ 3.75
Next	1,200 cu.ft., per 100 cu.ft.40
Next	3,000 cu.ft., per 100 cu.ft.30
Over	5,000 cu.ft., per 100 cu.ft.25
Annual Minimum Charge:		Per Meter Per Year
For	5/8 x 3/4-inch meter	\$ 45.00
For	3/4-inch meter	63.00
For	1-inch meter	102.00
For	1 1/2-inch meter	174.00
For	2-inch meter	252.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The above annual minimum charges apply to service during the 12-month period commencing January 1, and are due in advance. A customer who has established his permanency by having paid for service during each of the preceding 12 months may elect to pay the annual minimum charge on a monthly basis equal to one twelfth of the annual minimum charge.

2. When the annual minimum charge is paid in advance, charges for water used in excess of the monthly allowance under the annual minimum charge may be billed monthly, bimonthly, or quarterly at the option of the utility on a non-cumulative, monthly consumption basis.

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Schedule No. 1S

SEASONAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on a seasonal basis.

TERRITORY

The unincorporated community of Dos Rios and vicinity, Mendocino County.

RATES

Monthly Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First	800 cu.ft. or less	\$3.75
Next	1,200 cu.ft., per 100 cu.ft.40
Next	3,000 cu.ft., per 100 cu.ft.30
Over	5,000 cu.ft., per 100 cu.ft.25

Seasonal Minimum Charge:

	<u>Per Meter</u> <u>Per Season</u>	<u>Quantity Allowed</u> <u>Per Month for</u> <u>Minimum Charge</u>
For the 6-month period, May 1 through October 31:		
For 5/8 x 3/4-inch meter	\$ 28.00	800 cu.ft.
For 3/4-inch meter	39.00	1,200 cu.ft.
For 1-inch meter	64.00	2,000 cu.ft.
For 1 1/2-inch meter	109.00	4,000 cu.ft.
For 2-inch meter	158.00	6,400 cu.ft.

SPECIAL CONDITIONS

1. The seasonal minimum charge is due in advance and will entitle the customer to the quantity of water each month that corresponds to the seasonal minimum charge as shown above.

2. The charge for water used in excess of the quantity allowed each month for the seasonal minimum charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative, monthly consumption basis.

3. Customers who have paid the seasonal minimum charge may obtain service during any other month of the same calendar year at the monthly quantity rates upon written notice to the utility stating the months in which such service is desired.

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Schedule No. 2

ANNUAL GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate water service furnished on an annual basis.

TERRITORY

The unincorporated community of Dos Rios and vicinity, Mendocino County.

RATE

	<u>Par 3/4-inch Service Connection For Year</u>
For a single family residence, business establishment, or school; including premises	\$48.00
a. For each additional residential or business unit on the same premises and served from the same service connection	12.00

SPECIAL CONDITIONS

1. The above annual flat rate applies to service during the 12-month period commencing January 1, and is due in advance. A customer who has established his permanency by having paid for service during each of the preceding 12 months may elect to pay the annual flat rate charge on a monthly basis equal to one twelfth of the annual flat rate.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service, or Schedule No. 1S, Seasonal Metered Service.

Schedule No. 2S

SEASONAL GENERAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated community of Dos Rios and vicinity, Mendocino County.

RATES

Seasonal Charge:

For 3/4-inch
Service Connection

For a single family residence, business establishment, or school; including premises, for the 6-month period, May 1 through October 31	\$30.00
a. For each additional residential or business unit on the same premises and served from the same service connection	7.50

SPECIAL CONDITIONS

- All charges for flat rate service furnished under this schedule are due in advance.
- All service not covered by the above classification, or furnished on the basis of Schedule No. 2, Annual Flat Rate Service, will be furnished only on a metered basis.
- Meters may be installed at option of utility or customer for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, Annual General Metered Service, or Schedule No. 1S, Seasonal Metered Service.
- Customers who have paid the seasonal charge may obtain service during any other month of the same calendar year on the basis of one twelfth of the annual flat rate charge under Schedule No. 2, Annual General Flat Rate Service, upon written notice to the utility stating each month in which such service is desired.