

**ORIGINAL**Decision No. 57415

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 CLARENCE F. BERTSCH, individual,  
 doing business as the LOLETA WATER  
 WORKS, for an order authorizing an  
 increase in rates.

Application No. 39800

Collis P. Mahan, of Mahan & Harland, for applicant.  
W. E. Thomas, for Golden State Co., Ltd., Division  
 of Foremost Dairies, Inc., protestant.  
Lloyd W. Rogers, for Humboldt-Del Norte County  
 Health Department, interested party.  
C. F. Clark and Kenji Tomita, for the Commission  
 staff.

O P I N I O N

Clarence F. Bertsch, by this application filed February 8, 1958, and submitted for decision on May 28, 1958, following a public hearing at Loleta before Examiner John M. Gregory, seeks authority to increase flat and metered rates for water service.

Loleta Water Works is a sole proprietorship owned and managed by Clarence F. Bertsch. The system serves about 160 customers in the unincorporated town of Loleta, south of Eureka, in Humboldt County.

Applicant's basic rates became effective on May 1, 1953 (Decision No. 48395, Application No. 33112). Operations under those rates for the years 1955, 1956 and 1957, as shown by applicant's recorded figures, unadjusted, however, for certain abnormal expenditures, were conducted at a net loss after deductions for tax and depreciation expense.

Recorded results for 1957, adjusted results for that year at present and proposed rates, and an estimate for 1958, also at present and proposed rates, are shown below (Staff Study - Exh. 3):

<u>Item</u>	<u>1957 Recorded</u>	<u>1957 - Adj.</u>		<u>1958 - Est.</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$10,382	\$10,270	\$16,820	\$10,520	\$17,240
<u>Deductions</u>					
Operating Expenses	7,764	6,050	6,050	6,280	6,280
Taxes Other than Inc.	433	480	480	480	480
Income Taxes	-	350	2,110	370	2,200
Depreciation Accrual	2,767	1,560	1,560	1,560	1,560
Total Deductions	<u>10,964</u>	<u>8,440</u>	<u>10,200</u>	<u>8,690</u>	<u>10,520</u>
Net Revenue	( 582)	1,830	6,620	1,830	6,720
Average Depr. Rate Base		49,420	49,420	48,070	48,070
Rate of Return		3.7%	13.4%	3.8%	14.0%

(Red Figure)

The rates of return as shown above indicate that there will be a small increase in 1958 as compared to 1957. This difference is due chiefly to the adjustments made in the rate base for 1957, since all the improvements planned or completed by applicant for 1958, to the extent of \$3,000, have been included in the 1957 column to put both years on a comparable basis. The indicated trend in rates of return should not be appreciably affected in the near future, according to testimony of the staff engineer, unless there is a significant change in plant or an unanticipated shift in the number of customers.

Applicant completed certain improvements to storage and treatment facilities on the system during the first half of the current year. He expects to install or relocate a number of pipelines, at an estimated cost of approximately \$2,500, by the end of the year. He also has plans for a series of improvements to be carried out during 1959 and 1960, consisting of installation of a new and larger

pipeline for the town supply, replacement of existing smaller lines by pipe of larger diameter, installation of an 8,300-gallon concrete settling tank and a concrete spillway; construction of three small concrete wing dams to retard silting; improvements to two wells and installation of a high volume, low pressure pump to provide more pressure for the school water supply. This program is expected to cost about \$2,200, exclusive of the cost of the well improvements and pump installation. The total estimated cost of these improvements, excluding those already completed and the cost of well improvements and the school pump, thus appears to be about \$5,000. A number of recommendations contained in the staff study have already been carried out, as indicated by applicant's Exhibit No. 4, filed subsequent to the hearing.

Applicant has requested an increase in basic minimum metered rates from \$2.00 per meter per month, allowing up to 500 cubic feet of water, to \$2.80 per meter per month, allowing up to 400 cubic feet of water. He also proposes to increase the basic charge for flat rate service for a single-family residence of not more than five rooms from \$2.25 per service connection per month to \$3.40. The existing flat rate schedule is unduly complex and should be simplified.

About 80% of the commercial customers receiving metered service use less than 900 cubic feet of water per month and account for about 48% of the total metered consumption. One industrial customer, a manufacturer of dehydrated milk products, uses about 252,000 cubic feet of water per month, accounting for about 38% of the system's gross revenue. The pumps supplying water to this plant have not been functioning satisfactorily on occasion and have required

considerable supervision by the owner of the system in order to supply the regular flow of water needed for the plant's operation.

Applicant does not appear to be in a precarious financial condition on the basis of present rates, as adjusted for 1957 and as estimated for 1958. Nevertheless, the planned improvements to the system will require a substantial outlay during the next two or three years. The indicated rates of return, however, of 13.4% and 14.0% for 1957 and 1958, respectively, based on the rates proposed by applicant, appear to be excessive. Accordingly, we will authorize schedules of rates which, it is estimated, may be expected to produce the results shown in the table below. Those rates, together with the indicated rate base and rate of return, we find to be reasonable on this record. In consideration of the utility's improvement program which contemplates facilities in excess of those recommended by the staff, a rate base of \$52,000 will be adopted.

REVISED SUMMARY OF EARNINGS

	<u>1958 - Estimate Authorized Rates</u>
Operating Revenues	\$13,910
Total Deductions	9,750
Net Revenue	<u>4,160</u>
Avg. Depr. Rate Base	52,000
Rate of Return	8.0%

It should be noted that slight fluctuations in revenues or expense, on a system of this size, will tend to produce significant variations in the indicated rate of return.

O R D E R

Clarence F. Bertsch having applied to this Commission for an order authorizing increases in rates, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates, insofar as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedules of rates as shown in Appendix A attached hereto, and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after October 16, 1952.

2. Applicant, within sixty days after the effective date of this order, shall file in quadruplicate with the Commission, in conformity with the provisions of General Order No. 96, a revised tariff service area map and sample copies of printed forms that are normally used in connection with customers' services. Such revised tariff service area map and sample copies of printed forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Applicant, within sixty days after the effective date of this order, shall file with the 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 principal water production, storage and distribution facilities, and the location of the various water system properties of applicant.

4. Applicant, prior to May 1, 1960, shall complete his planned program of service improvements listed in Exhibit No. 4 in this proceeding and shall submit progress reports to this Commission in writing every ninety days after the effective date of this order until such program has been completed.

5. Beginning with the year 1958, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.0%. This rate should 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 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.

Finding that the public interest will not be adversely affected thereby, IT IS HEREBY FURTHER ORDERED that the effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 29<sup>th</sup> day of September, 1958.

S. Lynn Fox  
President

[Signature]

[Signature]

[Signature]  
Commissioner's

APPENDIX A  
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Loleta, and vicinity, located approximately ten miles south of the City of Eureka, Humboldt County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	400 cu.ft. or less .....	\$ 2.50
Next	3,600 cu.ft., per 100 cu.ft. ....	0.50
Next	6,000 cu.ft., per 100 cu. ft. ....	0.40
Next	15,000 cu.ft., per 100 cu. ft. ....	0.30
Over	25,000 cu.ft., per 100 cu. ft. ....	0.20
Minimum Charge:		
For	5/8 x 3/4-inch meter .....	\$ 2.50
For	3/4-inch meter .....	3.50
For	1-inch meter .....	5.00
For	1 1/2-inch meter .....	10.00
For	2-inch meter .....	15.00
For	3-inch meter .....	30.00
For	4-inch meter .....	50.00
For	6-inch meter .....	70.00

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 2

## Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated community of Loleta, and vicinity, located approximately ten miles south of the City of Eureka, Humboldt County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
1. For a single family residence including premises of one subdivision lot .....	\$ 3.25
For each additional single family residence on the same premises and served from the same service connection .....	1.00
2. For a hotel, motel, or apartment house, including manager's residence or first occupancy unit .....	3.25
For each additional occupancy unit ...	.50
3. For each store, shop or hall .....	3.50
4. For each restaurant or service station ....	4.00
5. For Loleta Public School .....	25.00

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