

Decision No. 62187**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GARBERVILLE WATER
COMPANY, INC., a corporation, for
authority to revise and raise rates
for water service.

Application No. 42428

Fred Hurlbutt, for applicant.
John A. Hagan and Edward E. Jennings, in their own
behalf, interested parties.
Alfred V. Day and L. L. Thormod, for the Commission
staff.

O P I N I O NApplicant's Request

Garberville Water Company, Inc., filed this application on July 1, 1960, requesting authority to increase rates for water service rendered in the unincorporated community of Garberville in Humboldt County by approximately \$14,000 or by about 75%.

Public hearing was held before Examiner James F. Kaley at Garberville on April 6, 1961, and the matter was submitted subject to the receipt of two late-filed exhibits, which were filed with the Commission on April 14, 1961.

Applicant's Operations

The water supply for applicant's system is obtained primarily by pumping from the South Fork of the Eel River. This supply is supplemented by gravity flow from Bear Canyon Creek and three springs. In addition, a well is available for emergency use. The system has two reservoirs. One, located on a hill south of Garberville, is of 175,000-gallon capacity and receives the water pumped from the Eel River and the seasonal waters from two of the

springs. The other reservoir, located on a hill north of Garberville, is of 50,000-gallon capacity and receives the waters obtained from Bear Canyon Creek and the other spring. All water delivered from the reservoirs is chlorinated.

As of the beginning of 1960, applicant served 315 customers through approximately 56,000 feet of mains ranging in diameter from 3/4-inch to 8 inches. Of these customers, 304 were served through meters and 11 customers received flat rate service.

The evidence indicates that applicant is serving potable water at adequate pressures. The record shows, however, that applicant should make certain plant betterments, as follows: (1) install, in conformity with General Order No. 103, a meter on the Eel River pump discharge main to measure water production from that source; (2) make the necessary repairs to eliminate leakage at its reservoir north of Garberville; (3) make a survey of service connections and require that any customer, whose connection should have a back-flow protection device, install such a device without delay. The order will require applicant to effect these plant betterments.

Applicant's Position

Applicant represents that since its present rates became effective on January 27, 1956,^{1/} it has in none of the subsequent years earned a fair rate of return on its investment. According to applicant, the return it has realized in each of the years 1955 through 1959 has been below 3%, and for the year 1960 it suffered an operating loss. It is applicant's position that its rates must be raised to the level it proposes to offset higher wages and salaries and increased plant investment and operating costs.

^{1/} Per authorization granted by Decision No. 52348, dated December 12, 1955, in Application No. 37258.

Earnings Results

The following tabulation presents applicant's results of operations at present rates for the year 1960 (1) on a recorded basis, as presented by applicant; (2) as estimated by the staff; and (3) as adopted herein as reasonable for test period purposes:

<u>RESULTS OF OPERATIONS</u>			
<u>Year 1960 at Present Rates</u>			
<u>Item</u>	<u>Applicant</u>	<u>Staff</u>	<u>Adopted</u>
Operating Revenues	\$18,386	\$19,450	\$19,000
Operating Expenses:			
Operating Expense, Except Taxes and Depreciation	14,013	14,880	15,500
Taxes Other Than Income	1,367	1,610	1,600
Depreciation Expense	4,059	2,760	2,800
Taxes on Income	<u>100</u>	<u>100</u>	<u>100</u>
Total Operating Expenses	\$19,539	\$19,350	\$20,000
Net Revenues	(Loss)	100	(Loss)
Depreciated Rate Base	77,179	74,710	75,000
Rate of Return	-	0.13%	-

Adopted Results

Applicant's figure for operating revenues is the recorded amount for the year 1960; the staff's is an estimate adjusted for normal climatic conditions. The evidence indicates that the recorded result for 1960 understates the revenues for test period purposes and that the staff figure is somewhat on the high side. Accordingly, we adopt \$19,000 as reasonable for operating revenues.

There is little difference between applicant's recorded figure for total operating expenses in the amount of \$19,539 and the staff's estimate of \$19,350. The record shows that applicant's expenses will be at a somewhat higher level than indicated by

either the recorded experience or the staff's estimate. To properly reflect this higher level of operating expenses, we adopt \$20,000 as reasonable for the test period.

The amount of \$77,179 shown as applicant's depreciated rate base was derived from applicant's Exhibit No. 1 and is based on recorded year-end 1960 plant. The staff's figure of \$74,710 reflects plant for the year 1960 weighted according to date of installation. We adopt the amount of \$75,000 for test period rate base. This amount represents the staff estimate of rate base rounded to a figure of actual significance.

Rate of Return

The rates proposed by applicant would yield an excessive rate of return as well as result in a high percentage increase to produce the total increase of \$14,000 in annual charges to its customers. The Commission must consider the economic conditions prevailing and consider the interest of the customers in this light. We will recognize, however, that the company is giving good service and that no complaints concerning this utility have been received by the Commission in recent years. Although a notice of hearing was published in a local newspaper of general circulation in Garberville, no customers appeared to protest the increase. We will allow for income taxes only on an "as paid" basis,^{2/} and we will reduce the amount of the requested increase of \$14,000 to an amount of \$3,000. This should yield approximately a 7% rate of return on the test period rate base, which rate of return we find to be reasonable under the conditions prevailing.

Authorized Rates

The rates to be authorized herein will result in the average monthly water bill of a typical residential user in Garberville being increased by \$2.10, from \$4.90 at present rates to \$7.00 at authorized rates, or by approximately 43%. The tabulation following shows

^{2/} In conformity with Decision No. 59926, dated April 12, 1960, in Case No. 6148. Applicant determines income tax depreciation according to the straight-line method.)

a comparison of present and authorized rates for general metered service:

	Pres- ent	<u>Per Meter Per Month</u>		Percent Increase
		Authorized	Increase	
Minimum Charge:				
For 5/8 x 3/4-inch meter	\$ 2.00	\$ 2.80	\$ 0.80	40.0%
3/4-inch meter	3.00	4.00	1.00	33.3
1-inch meter	4.50	6.50	2.00	44.4
1½-inch meter	6.50	12.00	5.50	84.6
2-inch meter	10.00	18.00	8.00	80.0
3-inch meter	16.00	32.00	16.00	100.0
4-inch meter	24.00	50.00	26.00	108.3

Quantity Rates:

First 500 cu.ft. or less	\$ 2.00	\$ 2.80	\$ 0.80	40.0%
Next 1,500 cu.ft., per 100 cu.ft.	.30	.45	.15	50.0
Next 8,000 cu.ft., per 100 cu.ft.	.24	.35	.11	45.8
Next 10,000 cu.ft., per 100 cu.ft.	.20	.28	.08	40.0
Over 20,000 cu.ft., per 100 cu.ft.	.15	.22	.07	46.7

Note: The minimum charge entitles the customer to the quantity of water which that minimum charge will purchase at the quantity rates.

Findings and Conclusions

We have carefully weighed all of the evidence of record and considered the statements of the parties with equal care. The action we are taking herein will produce an over-all result which will be fair and reasonable. We find that the increases in rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future, unjust and unreasonable.

O R D E R

Garberville Water Company, Inc., having applied for an order authorizing increased rates and charges, public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicant Garberville Water Company, Inc., is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the schedule of rates attached to this order as Appendix A and, upon not less than five days' notice to this Commission and to the public, to make such rates effective for all service rendered on and after August 1, 1961.

2. Within forty-five days after the effective date of this order, applicant shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, and in a form acceptable to the Commission, rules governing customer relations revised to reflect present-day operating practices, a revised tariff service area map and sample copies of printed forms normally used in connection with customers' services. Such rules, tariff service area map and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

3. Within sixty 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 principal water production, storage, and distribution facilities; and the location of the various water system properties of applicant.

4. Beginning with the year 1960, applicant shall base the accruals to the depreciation reserve upon spreading the original cost of the plant, less estimated future net salvage and depreciation reserve, over the remaining life of the plant, and shall use the

depreciation rates for each plant account shown in Table II-A of Exhibit No. 2 of the instant proceeding. These rates shall be used until a review indicates that they should be revised. Applicant shall review the depreciation rates when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

5. On or before October 1, 1961, applicant shall effect the following plant betterments and notify the Commission in writing within ten days after each is accomplished:

- (a) Install a meter on its Eel River pump discharge main.
- (b) Repair its Reservoir No. 3 so as to eliminate leakage therefrom.

6. Applicant shall make forthwith a survey of those customers' service connections which may be in need of cross-connection controls. It shall require each customer needing such a control to install, at his own expense, an approved back-flow protection device on or before October 1, 1961, subject to discontinuance of service after that date. On or before November 1, 1961, applicant shall advise the Commission in writing of the number of such devices so installed and of the names of any customers needing a cross-connection control who failed to install such a device and as a consequence had service discontinued on October 1, 1961.

7. (a) Applicant shall undertake forthwith to clear title to all water utility property, including, but not limited to, the sites on which the Eel River Pump Station, Reservoir No. 1 and Reservoir No. 3 are situated and, on or before December 31, 1961, shall report to the Commission in writing the results of such undertaking.

(b) Applicant shall undertake forthwith to obtain the necessary written agreements or titles pertaining to water rights, easements and rights of way related to the use of the Bear Canyon Creek intakes, Buck Mountain Spring, the unnamed springs which deliver water into Reservoir No. 1, and the pipelines which convey water therefrom and, on or before December 31, 1961, shall report to the Commission in writing the results of such undertaking.

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

Dated at San Francisco, California, this 27th day of June, 1961.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Garberville, and vicinity, Humboldt County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less	\$ 2.80
Next 1,500 cu.ft., per 100 cu.ft.45
Next 8,000 cu.ft., per 100 cu.ft.35
Next 10,000 cu.ft., per 100 cu.ft.28
Over 20,000 cu.ft., per 100 cu.ft.22
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.80
For 3/4-inch meter	4.00
For 1-inch meter	6.50
For 1 1/2-inch meter	12.00
For 2-inch meter	18.00
For 3-inch meter	32.00
For 4-inch meter	50.00

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

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The unincorporated community of Garberville, and vicinity, Humboldt County.

RATES

	<u>Per Service Connection Per Month</u>
1. For a single family residence, including premises not exceeding 7,500 sq.ft. in area	\$3.25
a. For each additional residence on the same premises and served from the same service connection	1.75
b. For each 100 sq.ft. of area in excess of 7,500 sq.ft., from June 1 to October 31, inclusive03

SPECIAL CONDITIONS

1. The above flat rates shall apply only to service connections not larger than one inch in diameter.

2. Meters will 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, General Metered Service.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

The unincorporated community of Garberville, and vicinity, Humboldt County.

RATE

Per Month

For each 2-inch wharf-type hydrant \$3.00

SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.

2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.

3. For water delivered for other than private fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of Garberville, and vicinity, Humboldt County.

RATE

Per Month

For each double outlet,
2½-inch diameter fire hydrant:

- a. Owned and maintained by the utility \$1.50
- b. Owned and maintained by the Garberville
Fire Protection District 1.25

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation and maintenance of utility-owned hydrants will be borne by the utility.
3. Hydrants owned and maintained by the fire protection district will be installed by the utility at the cost of the district.
4. Relocation of any hydrant shall be at the expense of the party requesting relocation.
5. 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.