

**ORIGINAL**

Decision No. 63828

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
a trust under the will of Joseph A.  
Shaw, doing business as Riverside  
Water Works, for authority to increase  
rates for water service.

Application No. 43991

O P I N I O N

Applicant's Request

By this application authority is sought to increase rates for water service in the vicinity of Ferndale in Humboldt County. The proposed rates would increase charges to the 74 customers served by \$1,040, or by about 36 percent.

Applicant's Position

It is alleged that present rates have been in effect since December 1, 1934; that operating revenues have remained constant at slightly less than \$2,900 per year; that operating deductions have increased substantially in recent years; that the manager of the utility operation has not been paid a salary and has not been reimbursed for expenses related to operations, and that if an adjustment of \$750 per year is allowed for this item, the average of results of operation for the years 1958, 1959 and 1960 would result in a small net loss. It is further alleged that operating losses for future years will increase if rate relief is not authorized.

Staff Investigation

Following the filing of this application, a field investigation of applicant's public utility water operations was made by a Commission staff engineer. The engineer has now submitted to the Commission his memorandum report on the investigation. The report, which includes results of operations analyses and an analysis of service problems together with the engineer's recommendations to the Commission, is hereby made a part of this record and designated Exhibit No. 1.

Customer Reaction

In order to determine whether ex parte treatment of this matter would be appropriate, applicant, upon request of the Commission, mailed to each customer a letter concerning the application. This letter advised the customers of the application which had been filed, compared present rates with those proposed in the application, and invited the customers to call to the attention of the Commission any problems covering water service, billing procedures, or other factors pertaining to a reasonable charge for water service. On January 29, 1962, a petition signed by ten customers was received by the Commission. This petition complained of poor service believed to be due to the old and undersized transmission main. The petition indicated that some increase in rates might be justified if there were assurance that service would be improved. Subsequently, the representative of the California Farm Bureau Federation evidenced an interest in this proceeding and requested an opportunity to examine the staff engineer's report. After examining said report

the Farm Bureau representative recommended that the decision be made on an ex parte basis, and he advised it was the position of the customers affected that the staff's recommendations for annual replacement of the 3-inch transmission main at a rate of 1,000 feet a year would not be adequate and that replacement should be made at a faster rate.

### Earnings

The staff analyzed the operational results of the utility at both present and proposed rates. The following tabulation compares the staff's and the utility's estimates of results of operation for the year 1961 under present rates:

Item	At Present Rates	
	Staff	Company
Operating Revenues	\$ 3,015	\$2,889
Operating Expenses	2,000	2,086
Depreciation Expense	580	350
Taxes Other Than Income	325	779
Income Taxes	40	-
Total Deductions	\$ 2,945	\$3,215
Net Revenues	70	(326)
Average Depreciated Rate Base	10,850	8,514
Rate of Return	0.65%	Loss

(Red Figure)

The company's estimate is based upon an average of the operations for the years 1958, 1959, and 1960 for all items with an additional allowance of \$750 a year for salary and expenses of the manager. The staff's estimate is based upon an analysis of the

recorded expenditures for 1960 and 1961. The basic differences between the estimates may be explained as follows:

The staff used the revenue as billed by the utility while applicant used the amounts actually received in payment of bills. The depreciation expense computed by the staff is greater than applicant's allowance as it includes the additional depreciation expense on \$3,000 of plant included in the staff's adjusted rate base to reflect one-fifth of the estimated cost of replacing a 3-inch main with a larger pipe line over the next five years. The staff's estimate of taxes other than income is substantially lower than applicant's allowance as certain taxes have been disallowed on land used for ranching and agriculture. The staff estimate of rate base is considerably greater than applicant's estimate due to the inclusion by the staff of the \$3,000 to reflect one-fifth of the estimated cost of replacing the 3-inch main with a larger pipe as noted above.

The staff estimated that the rates proposed by applicant would result in gross revenues of \$4,100, an increase of approximately \$1,085, or 36 per cent. The following tabulation presents a summary of the staff's estimate of applicant's operations for the test year 1961 under the proposed rates:

Item	At Proposed Rates
Operating Revenues	\$ 4,100
Operating Expenses	2,000
Depreciation Expense	580
Taxes Other Than Income	320
Allowance for Return & Income Tax	1,200
Total	\$ 4,100
Average Depreciated Rate Base	\$10,850

We find that the staff's estimates as hereinbefore set forth are reasonable and hereby adopt them for rate fixing purposes. On the test year basis the authorized rates will yield applicant for return on investment and for income taxes a total of \$1,200, which amount we find to be fair and reasonable for such purposes.

#### Rates

The following tabulation compares present and proposed rates for general metered service:

<u>Monthly Minimum Charges</u>	<u>Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
For 5/8 inch meter	\$1.25	\$1.70
For 3/4 inch meter	2.25	3.05
For 1 inch meter	3.65	4.95
 <u>Monthly Quantity Rates</u>		
First 3,000 gallons or less	1.25	1.70
Next 7,000 gallons per 1,000 gallons	.35	.48
Next 10,000 gallons per 1,000 gallons	.25	.34
Next 20,000 gallons per 1,000 gallons	.175	.24
Over 40,000 gallons per 1,000 gallons	.10	.14

The staff calculated that the average customer's bill under the proposed rates would be \$4.62 per month as compared with \$3.40 per month under the present rates, an increase of approximately 36 percent.

The staff recommended that the present flat-rate schedule be withdrawn as no customers are now being served thereunder. Such withdrawal is reasonable and will be effected by the order herein.

#### Service

Exhibit No. 1 indicates that certain improvements to the water system and in operating practices should be made. The transmission main from the source of supply is in poor condition, and it

was recommended that about 5,000 feet of such pipe line should be replaced with a new main not smaller than 4 inches in diameter. The staff recommended that this replacement program be extended over the next five-year period. The problem of financing the replacement in less than five years could be unduly burdensome on applicant. The staff reported that areas around the sources of water supply are maintained in an excellent condition, but recommended that all open areas should be covered. With respect to water purity, the staff reported that no regular tests are now being made, but in the future monthly inspections will be made by the Humboldt County Department of Health. Presently the utility does not have a water supply permit, and the staff recommends that the applicant be required to apply for such permit. The staff further recommended that applicant be required to establish and maintain a record of all complaints filed and their disposition as required by General Order No. 103.

The expenses and rate base adopted herein include amounts for replacement of transmission main and for the other improvements and repairs suggested by the staff. The order herein will require that these improvements and repairs be made.

#### Findings and Conclusions

A decree of distribution in the estate of Joseph A. Shaw was made by the Superior Court of the State of California in and for the County of Humboldt and entered on September 15, 1950. Such decree distributed various properties including the Riverside Water Works to J. A. Shaw, Jr., Helen I. Waldren, Frederic V. Shaw, Marian E. Bartlett, Mahlon F. Waldren, Lillian C. Shaw and Marian E. Harle, as Trustees, in accordance with terms of the last will and

testament of said decedent. Consent of the Commission was not sought or obtained for the transfer effected by the decree. It appears that the trustees were unaware that such consent was required. Such transfer, not being adverse to the public interest, will be authorized by the ensuing order.

We have considered the application and we find that a public hearing is not required. The action we are taking herein will produce over-all results which will be fair and reasonable. We find, therefore, that the increases in rates and charges authorized herein are justified, that the 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

An application for an order authorizing increased rates and charges for water service rendered by Riverside Water Works having been filed, and based upon the evidence of record,

IT IS ORDERED that:

1. a. On or after the effective date hereof, and on or before July 1, 1962, J. A. Shaw, Jr., and Marian E. Bartlett, executor and executrix of the Last Will and Testament of Joseph A. Shaw, may transfer to J. A. Shaw, Jr., Helen I. Waldren, Frederic V. Shaw, Marian E. Bartlett, Mahlon F. Waldren, Lillian C. Shaw and Marian E. Harle, Trustees under and according to the terms of the Last Will and Testament of Joseph A. Shaw, the public utility water system situate in the vicinity of Ferndale, County of Humboldt, known as Riverside Water Works.
- b. Within ten days after the date of transfer, the said trustees shall give written notice to the Commission of the actual date thereof.

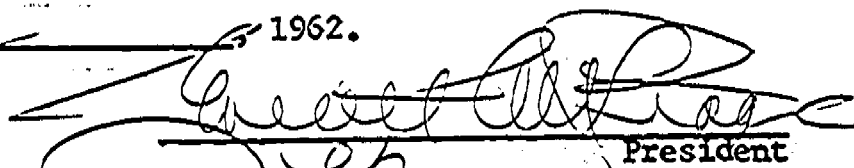
2. a. Applicant is authorized to file with this Commission after the effective date of this order and in conformity with General Order No. 96-A, the schedule of rates attached to this order as Appendix A and, upon not less than five days' notice to the public and to the Commission, to make such rates effective for all service rendered on and after July 15, 1962. ✓
- b. Concurrently with the filing authorized herein, applicant is authorized to withdraw and cancel by appropriate advice letter presently effective flat rates.
3. Applicant shall file with this Commission, within forty-five days after the effective date of this order, in conformity with General Order No. 96-A and in a manner acceptable to the Commission, a revised tariff service area map, revised rules governing service to customers, and copies of printed forms that are normally used in conjunction with customers' services. Such tariff service area map, rules and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
4. Applicant shall file with the Commission within sixty days after the effective date of this order, 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.
5. Beginning with the year 1962, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of 3.0%. This rate shall be used until review indicates that it should be revised. Applicant shall review the depreciation rate, using the straight-line remaining life method, whenever substantial changes in utility plant composition 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.
6. On or before August 1, 1962, applicant shall establish a record of informal complaints and the disposition thereof, pursuant to the provisions of General Order No. 103, and shall inform the Commission, in writing, that such record has been established, within ten days thereafter. ✓

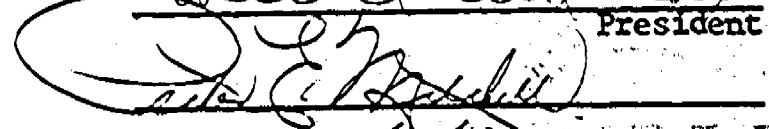


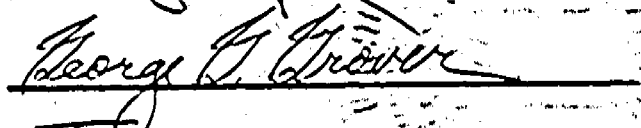
7. On or before August 1, 1962, applicant shall institute a program, acceptable to the Commission, for the progressive replacement of approximately 5,000 feet of 3-inch transmission main with a main not less than 4 inches in diameter, at a rate of not less than 1,000 feet per year, in conformity with the requirements of the Commission's General Order No. 103, and shall report to the Commission, in writing, that such program has been instituted, with the details thereof, within ten days thereafter. Said details shall indicate the location and size of the mains to be replaced, the size of the proposed replacements and the approximate cost of installation thereof, as well as the approximate dates for completion of each progressive part of the program.
8. On or before August 1, 1962, applicant shall apply to the appropriate public health authority for a water supply permit and shall inform the Commission, in writing, of such application within ten days thereafter.
9. On or before August 1, 1962, applicant shall cover all open places around springs and make necessary repairs to the reservoir cover and shall inform the Commission, in writing, of the completion of these repairs.

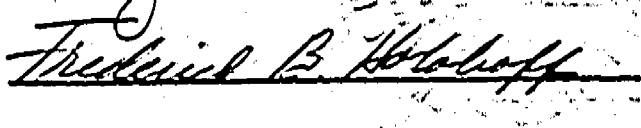
The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 15<sup>th</sup> day of June, 1962.

  
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President

  
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Commissioner

  
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Commissioner

  
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Commissioner

Commissioners

Commissioner C. Lyn Fox, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

(N)

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Fort Kenyon, and vicinity, located approximately 2 miles north of Ferndale, Humboldt County.

(N)

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 3,000 gallons or less .....	\$ 1.70
Next 7,000 gallons, per 1,000 gallons .....	.48
Next 10,000 gallons, per 1,000 gallons .....	.34
Next 20,000 gallons, per 1,000 gallons .....	.24
Over 40,000 gallons, per 1,000 gallons .....	.14

(I)

Minimum Charge:

For 5/8 x 3/4-inch meter .....	1.70
For 3/4-inch meter .....	3.00
For 1-inch meter .....	5.00
For 1 1/2-inch meter .....	9.50
For 2-inch meter .....	13.00

(I)

(N)

(N)

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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