

Decision No. 65779**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PALLE H. ANDERSEN, }
 dba Brown's Water Works, to }
 increase the rates charged to }
 the users of water. }

Application No. 45095
 (Filed January 7, 1963)

O P I N I O N

This is an application to increase water rates in a small system (17 customers) at Albion, Mendocino County. Albion is on State Highway No. 1, about 18 miles south of Fort Bragg. A study of this system's operations, prepared by an engineer of the Commission's Hydraulic Branch, is hereby incorporated in the record as Exhibit No. 1.

This system seems to have existed since some time prior to 1932. It was at that time operated by A. Brown from whom it derives its name. In that year Brown filed rates, rules and regulations setting up a flat rate of \$1.00 per month per customer, which, by the instant application, applicant seeks to increase to \$4.00 per month. In 1947 Brown sold the ranch, of which the utility is an incident, to Palle H. Andersen. No certificate has ever been obtained for this system nor has the Brown-Andersen transfer been authorized by the Commission.

The utility produces its water supply from three separate locations. Two dug wells, 6 feet by 6 feet and approximately 20 feet deep, are piped together. The water flows, either by gravity or, when necessary, pumped by a pump equipped with a 1/2 horsepower motor, through about 750 feet of 1-inch plastic pipe and 150 feet of 3/4-inch galvanized pipe to an elevated storage tank. Another dug well in the vicinity of the storage tank is equipped with a pump and 3/4

horsepower motor and a chlorinator from which water is pumped directly into the tank. A spring and trough located east of town supply water through approximately 600 feet of 1-inch plastic pipe and 400 feet of 3/4- and 1-inch galvanized pipe into the distribution system at the opposite end from the storage tank. The utility has also installed about 3,300 feet of 1-inch plastic pipe from the owner's private well to the trough at the spring for use when the water supply becomes critically low. Most of the 17 customers are located along some 650 feet of 2-inch pipe. With the exception of the 1-inch plastic pipe, all the pipe has apparently been in the ground some 40 years or more.

The staff has analyzed the operational results at both present and proposed rates. These analyses indicate that applicant would realize a loss of about \$295 for 1963 under the present rates after certain adjustments were made to revenues and expenses. Under the same conditions, applicant's proposed rates would produce a net revenue of about \$222 for 1963. Set forth below are comparisons between the applicant's and the staff's adjusted and estimated results of operation under the present and proposed rates for 1963. Applicant's 1961 summary of operating revenues and expenses is assumed to be the same for 1963 as there is no expected growth in the area.

<u>Item</u>	<u>Staff</u>		<u>Applicant</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 204	\$ 816	\$168.00	\$672.00
<u>Deductions</u>				
Operating Expenses	369	405	149.03	185.03
Depreciation Expense	85	85		
Taxes Other Than Income	45	45	420.76	420.76
Taxes on Income	-	59	-	-
Total Deductions	499	594	569.79	605.79
Net Revenues	(295)	222	(401.79)	66.21
Average Depreciated Rate Base	2,300	2,300	-	-
Rate of Return	Loss	9.7%	Loss	-

(Red Figure)

The information filed with the application is not of much help in arriving at a decision in this matter. Applicant, for example, omits revenue from two customers who receive free water in return for services to the utility. Taxes and depreciation are lumped together in one sum, in which sum no taxes based on income have been included. The estimate of plant appears to be a judgment figure not related to the annual reports filed by this utility. As a result, the staff figures will have to be used as the basis of our decision.

The staff included in its report a suggested rate of \$3.50 per month. Such a rate would yield approximately \$145 on a rate base of \$2,300 for a rate of return of about 6.3 percent. The staff estimates that such a rate would produce earnings as summarized below:

<u>Item</u>	<u>At Staff Recommended Rates</u>
Operating Revenues	\$ 714
Operating Expenses	369
Depreciation Expense	85
Taxes Other Than Income	45
Allowance for Return and Income Tax	185
Average Depreciated Rate Base	2,300

At the time of the field investigation pressures in the system varied from 16 to 25 pounds per square inch. Customers complained of water shortages in summer and of occasional dirty water in the winter, especially after a rain.

The survey of customers also yielded some protests against the proposed rates. Those who complained conceded that some raise was justified but that the one proposed was too much. One customer wrote to the Commission protesting. Her protest, however, was not against the proposed rate per se but against having to pay for a full year when her house is only used part time.

Applicant has a permit from the Mendocino County Health Department. A sanitarian of that department rated the water as good, especially since the installation of the chlorinator.

The system is old and probably cannot improve the service without a nearly complete and expensive reconstruction of most, perhaps nearly all, of the system.

As a result the Commission is authorizing a rate (the staff-suggested rate) which is comparatively low for such a small utility. When, however, it is remembered that the service is not first class, it appears to be compensatory.

The Commission finds that:

1. The water system called Brown's Water Works in Albion, Mendocino County, was dedicated to the public use by one A. Brown in the year 1932.
2. The public interest was not adversely affected by the transfer of the system called Brown's Water Works from A. Brown to Palle H. Andersen which took place in 1947.
3. The present rates of Palle H. Andersen, doing business as Brown's Water Works, are unfair, unreasonable and noncompensatory.

4. The rates attached to the following order are fair, reasonable and compensatory for the services to be rendered in the future by Palle H. Andersen, doing business as Brown's Water Works, Albion, Mendocino County.

The Commission concludes that the application should be granted to the extent set forth in the order following.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. The Commission declares the water system known as Brown's Water Works in Albion, Mendocino County, became in 1932, ever since has continued to be, and now is, a public utility water system.

2. Palle H. Andersen is authorized and directed to continue such public utility operation.

3. Applicant Palle H. Andersen, doing business as Brown's Water Works, 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 Commission and to the public, to make such rates effective for service rendered on and after September 1, 1963.

4. Within forty-five days after the effective date of this order, applicant shall file with the Commission, in conformity with General Order No. 96-A, and in a manner acceptable to the Commission, revised rules governing service to customers, a tariff service area map and 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.

5. Beginning with the year 1963, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 3.5 percent. 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 when major 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. The transfer of the operating rights and properties referred to in the application from A. Brown to Palle H. Andersen is hereby authorized.

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

Dated at San Francisco, California, this 30th day of JULY, 1963.

Hollis W. Bennett
President

John L. Mitchell

Wesley H. King

George T. Traver

Fredrick B. Holschoff
Commissioners

APPENDIX A

Schedule No. 2 (T)

GENERAL FLAT RATE SERVICE (T)

APPLICABILITY

Applicable to all flat rate water service. (T)

TERRITORY

Albion, Mendocino County. (T)

RATE

Per Month (T)

For each service connection \$3.50 (I)

SPECIAL CONDITION

1. The above flat rate applies to service connections no larger than one inch in diameter. (N)
(N)