

ORIGINALDecision No. 66052

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WARREN G. HUNTER
and MARIE HUNTER, dba HUNTER WATER
COMPANY (Crescent City, Del Norte
County) for increase in rates.

Application No. 45285
(Filed March 28, 1963)

O P I N I O N

This is an application to increase water rates in a small system (ten customers) within the City of Crescent City, Del Norte County. A study of the system and this application, prepared by an engineer of the Commission's Hydraulic Branch, is hereby incorporated in the record as Exhibit No. 1.

There were no formal protests but several customers stated to the staff engineer that they would apply to the city for water service if any increase in rates is granted.

The utility obtains its water supply from a single well equipped with a 2 hp motor and pump which produces water at the rate of approximately 25 to 30 gpm. Water is pumped into a 600-gallon pressure tank at pressures of between 25 and 50 psi. The well is also equipped with a 3/4-hp motor and pump for standby service, and a chlorinator has been installed on the system. A 2-inch main 200 feet in length runs down an easement between two rows of houses. All ten flat rate services are served from this line. There is one hydrant connected to the system.

Applicants' present basic flat rate charge is \$2.50 per month in the winter season (November-April, inclusive) and \$3.50 per month in the summer (May-October, inclusive). They request authority to increase both. The proposed rates are \$3.50 per month, and \$5.00

per month, respectively. This would result in an increase of approximately 42 percent. They also request authority to establish meter rates equivalent to those of the City of Crescent City.

The staff has analyzed the operational results at both present and proposed rates. These analyses indicate that applicants would realize a loss of \$15 for 1963 under the present rates but obtain a net revenue of \$135 under the proposed rates. The application includes recorded figures for 1960 and 1961 and for 10 months of 1962. As the year 1962 recorded figures were available at the time of the staff's investigation, and as there is no possibility of growth in the system, both the 1961 and 1962 recorded results of operations are shown under the assumption that both years should be considered in estimating the 1963 operations under present rates.

| Item | Staff 1963 Estimated | | Company Present Rates# | |
|-------------------------|-------------------------|-------------------|---------------------------|---------------------------|
| | Present Rates | Proposed Rates | Per Appl. ϕ | Per 1962 Annual Report |
| Operating Revenues | \$ 360 | \$ 510 | \$ 309.50 | \$ 328.50 |
| <u>Deductions</u> | | | | |
| Operating Expenses | 230 | 230 | 112.00 | 231.70 |
| Depreciation Expense | 90 | 90 | 280.70 | 280.70 |
| Taxes Other Than Income | 55 | 55 | 50.12 | 55.63 |
| Income Taxes | - | - | - | - |
| Total Deductions | \$ 375 | \$ 375 | \$ 442.82 | \$ 568.03 |
| Net Revenue | \$ (15) | 135 | \$ (133.32) | \$ (239.53) |
| Avg. Depr. Rate Base | \$1,740 | \$1,740 | \$ * | \$ - |
| Rate of Return | Loss | 7.8% | * | - |

(Red Figure)

* Rate Base or Rate of Return not developed by applicants.

Applicants' summary of earnings at present rates only.

ϕ Year 1961 recorded.

Differences between the staff and applicants exist in estimated revenues and depreciation. In revenues, the staff used 1962 billings and applicants used actual collections. The applicants' depreciation expense produces a composite rate of 7.3 percent which is excessive. The staff used 2.5 percent, a more realistic rate; however, the staff in calculating income tax, employed applicants' actual tax depreciation expense.

The percentage rate of return (7.8%) might be excessive in a larger utility but where the yield in dollars is as low as it is here it is not unreasonable and will be adopted.

While some irrigation is done, the utility's supply of 25 to 30 gpm appears to be adequate to supply the needs of its customers. Most of the customers complained of the dirty color of the water. This is caused by an excessive amount of iron in the water. It does not seem feasible to instruct applicants to make the relatively expensive additions to plant necessary to alleviate this condition.

The utility has a water supply permit from the Del Norte County Health Department. A sanitarian from the Health Department indicated that water samples were taken occasionally, and that although the water contained a large amount of iron, it is potable.

The Commission finds that:

1. The estimates of operating revenues, expenses, including taxes and depreciation, and the rate base as submitted by the staff for the year 1963 estimated, reasonably represent the results of applicants' operations for the purposes of this proceeding.

2. 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. We find the rate of return and the adopted rate base to be reasonable.

The Commission concludes that the application should be granted. A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Warren G. Hunter and Marie Hunter, doing business as Hunter Water Company, are authorized to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedules 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 November 1, 1963.

2. Within forty-five days after the effective date of this order, applicants shall file with the Commission, in conformity with General Order No. 96-A, revised rules governing service to customers and copies of printed forms normally used in connection with customers' services. Such rules and forms shall become effective upon five days' notice to the Commission and to the public.

3. Beginning with the year 1963, applicants shall determine depreciation expense by multiplying depreciable utility plant by a rate of 2.5 percent. This rate shall be used until review indicates it should be revised. Applicants 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 this Commission.

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

Dated at San Francisco, California, this 14th day of SEPTEMBER, 1963.

William M. Bennett
President
John E. Mitchell
Robert W. Page
George T. Driver
Fredrick B. Holbrook
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Block 94, Crescent City, Del Norte County.

RATES

| | <u>Per Meter</u> <u>Per Month</u> |
|--|--------------------------------------|
| Quantity Rates: | |
| First 500 cu.ft. or less | \$ 3.50 |
| Next 1,000 cu.ft., per 100 cu.ft. | .50 |
| Next 2,500 cu.ft., per 100 cu.ft. | .25 |
| Over 4,000 cu.ft., per 100 cu.ft. | .20 |
| Minimum Charge: | |
| For 5/8 x 3/4-inch meter | \$ 3.50 |
| For 3/4-inch meter | 4.00 |
| For 1-inch meter | 5.25 |
| For 1 1/2-inch meter | 9.00 |
| For 2-inch meter | 13.50 |
| For 3-inch meter | 22.50 |
| For 4-inch meter | 28.00 |
| For 6-inch meter | 40.00 |

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

APPENDIX A
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Schedule No. 2 (T)

GENERAL FLAT RATE SERVICE (T)

APPLICABILITY

Applicable to all flat rate water service. (T)

TERRITORY

Block 94, Crescent City, Del Norte County. (T)

RATES

Per Service Connection
Per Month

| | | |
|---|---------|-----|
| For each single-family residential unit, including premises, during the months of: | | |
| May through October | \$ 5.00 | (I) |
| November through April | 3.50 | (I) |

SPECIAL CONDITION

For service covered by the above classification, if the utility or customer so elects, a meter shall be installed and service provided 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 fire districts and other political subdivisions of the State.

TERRITORY

Block 94, Crescent City, Del Norte County.

RATE

| | <u>Per Month</u> |
|------------------------|------------------|
| For each hydrant | \$ 2.00 |

SPECIAL CONDITIONS

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

2. The cost of installation and maintenance of hydrants shall be borne by the utility.

3. Relocation of any hydrant shall be at the expense of the party requesting relocation.

4. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the specific location at which each is to be installed.

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.