

Decision No. 67010**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of REDWOOD WATER CO., INC., )  
 a California corporation, for authori- )  
 zation to raise water rates. )

Application No. 45858  
 (Filed October 11, 1963)

O P I N I O N

Applicant operates a public utility water system in two adjacent summer resort areas known as Summer Home Park and Highcroft, located near Hilton on the Russian River in Sonoma County. Applicant is a wholly owned subsidiary of the Summer Home Park Corporation, which is wholly owned by approximately 50 stockholders who are property owners of the area serviced by the utility. Water service is furnished to 164 residential customers under a flat rate schedule. Water is pumped from a well and from a sump into two 25,000-gallon redwood, two 500-gallon redwood and one 200-gallon pressure tanks. The system consists of 19,510 feet of mains.

The following tabulation compares applicant's proposed rates with present rates:

Meter Rates

Quantity Rates:	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
First 400 cu.ft. or less . . . . .	\$ --	\$ --
Next 1,000 cu.ft., per 100 cu.ft. . . . .	.35	.35
Over 1,400 cu.ft., per 100 cu.ft. . . . .	.25	.25
	<u>Per Meter Per Year</u>	
	<u>Present</u>	<u>Proposed</u>
Minimum Charge:		
For 5/8 x 3/4-inch meter . . . . .	\$30.00	\$50.00

The annual minimum charge, payable in advance, entitles consumer to 400 cubic feet of water per month through a 5/8 x 3/4-inch meter.

(Continued)

Flat Rate

	Per Service Connection Per Year	
	<u>Present</u>	<u>Proposed</u>
Annual charge payable in advance . . .	\$30.00	\$50.00

Applicant also proposes the establishment of an initial connection charge of \$50.00 and an inspection and reconnection charge of \$5.00, and, further, proposes discontinuance of the metered service rate schedule.

The Commission staff made a field investigation and report, hereby received as Exhibit 1, in connection with this application. Twenty customers protested that the increase in rates would be excessive, especially for the customers who use their cabins only during the summer season. Other complaints were that the water is of poor quality, service could be improved, and the increase is required to cover the cost of improper planning of the system. Seven customers wrote that they favored the proposed rates. As of November 1, 1963, only one informal complaint, which concerned rusty water, had been filed by applicant's customers during the past two years.

Exhibit 1 substantially supports applicant's allegations that it is presently operating at a loss and in need of rate relief, as indicated by the following tabulation:

Summary of Earnings  
Year 1964 Estimated

Item	Present Rates		Proposed Rates	
	Applicant's Showing	CPUC Staff Exhibit 1	Applicant's Showing	CPUC Staff Exhibit 1
Operating Revenues	\$ 4,920	\$ 4,950	\$ 8,200	\$ 8,250
<u>Deductions</u>				
Operating Expenses	5,500	3,900	5,500	3,900
Depreciation Expense	750	730	750	730
Taxes Other Than Income	300	500	450	500
Income Taxes	100	100	400	1,000
Total Deductions	6,650	5,230	7,100	6,130
Net Revenues	(1,730)	(230)	1,100	2,120
Average Depreciated Rate Base	19,141.82	19,700	19,141.82	19,700
Rate of Return	Loss	Loss	5.7%	10.8%

(Red Figure)

The principal differences between staff's and applicant's estimates result from the following:

- (a) Operating Revenues - The staff's estimates include the addition of one customer, whereas applicant's estimates did not give any consideration to growth.
- (b) Operating Expenses - The staff's estimates are based on 1961 and 1962 recorded expenses adjusted to reflect exclusion of nonrecurring expenses. The staff's estimates include \$100 for rate case expenses (\$500 total prorated over five years), \$200 for deferred maintenance, and \$60 for water testing. Applicant's estimates are based on 1962 recorded expenses, to which \$1,750 was added for deferred maintenance.
- (c) Depreciation Expense - The present composite depreciation rate of 2.8 percent is used by both staff and applicant. The staff's estimate differs from applicant's because of the staff's exclusion of depreciation on mains to be replaced by proposed additions.
- (d) Taxes - The staff's estimate of property taxes is based on the latest tax rates, whereas applicant's estimate is based on a 50 percent increase over

the 1962 recorded taxes. The staff also included an allowance for payroll taxes, which item was not considered by applicant.

- (e) Rate Base - The staff's estimate of rate base differs from applicant's mainly in that the staff included an unweighted allowance for, and the applicant weighted, a replacement item. The staff also did not accept as firm the plans of applicant to build a new storage tank. A working cash allowance is not appropriate inasmuch as annual charges are collected substantially in advance of the rendering of service.

The staff in Exhibit 1 recommended that rates be authorized which would result in the following summary of earnings for the year 1964:

<u>Item</u>	<u>At Staff Recommended Rates</u>
Operating Revenues	\$ 7,630
Operating Expenses	3,900
Depreciation Expense	730
Taxes Other Than Income	500
Income Taxes	850
Total Deductions	<u>5,980</u>
Net Revenues	1,650
Average Depreciated Rate Base	19,700
Rate of Return	8.4%

The principal service complaint appears to be the rusty water in a portion of the system. During the field investigation made by the staff, it was found that water from taps in this area had a brownish tinge. The staff recommended replacement of the three-inch main causing this complaint.

The staff investigation disclosed no records indicating that laboratory tests of the water were made during 1963. The staff recommended that the utility be required to have regular tests made of the water quality, under the supervision of the local public health agency.

The staff also recommended denial of applicant's requests to establish service connection and special reconnection charges and to discontinue its metered service rate schedule.

Upon consideration of the evidence the Commission finds that:

1. Applicant is earning less than a reasonable rate of return and increased rates should be authorized.

2. The estimates of operating revenues, expenses, including taxes and depreciation, and the rate base as submitted by the staff for the year 1964 reasonably represent the results of applicant's operations and they should be adopted for the purposes of this proceeding.

3. A rate of return of 8.4 percent, when related to the adopted rate base, is fair and reasonable for the operations of this system.

4. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

5. The above staff service and rate recommendations are reasonable.

6. A public hearing is not necessary.

The Commission concludes that:

1. Applicant's request for authority to increase its rates should be granted to the extent provided in the following order.

2. Applicant's request to establish service connection and special reconnection charges and to discontinue its metered service rate schedule should be denied.

The annual flat rate charge at the rates herein authorized will be \$46, compared with the present annual rate of \$30, an increase of 53 percent.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant, Redwood Water Company, Inc., is authorized to file the revised schedules of rates attached to this order as Appendix A. Such filing of revised rates shall comply with General Order No. 96-A. The revised rate schedules shall become effective for service rendered on and after May 1, 1964, or on and after the fourth day following the date of filing, whichever is later.

2. 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, revised rules governing service to customers, a revised 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 after filing as hereinabove provided.

3. Within sixty days after the effective date of this order, applicant shall file with the Commission four copies of a revised comprehensive map, drawn to an indicated scale of not more 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 shall replace, on or before December 31, 1964, the three-inch iron pipe connecting the Highcroft pump to the Summer Home Park Subdivision with a main at least four inches in diameter, and shall notify the Commission, in writing, within ten days thereafter. If said replacement is not so effected, the Commission may order rate reductions.

5. Applicant shall institute, on or before June 1, 1964, a program for the periodic testing of water quality and shall report to the Commission, in writing, within ten days thereafter that such program has been instituted, together with the details thereof.

6. The request of applicant to establish additional service charges and to discontinue its metered service rate schedule is denied.

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

Dated at San Francisco, California, this 31st day of March, 1964.

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 President

*Robert L. Mitchell*

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*Cecil W. Page*

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*George H. Trover*

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*Frederick B. Haloloff*  
 Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
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Schedule No. 1A

(T)

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The areas known as Summer Home Park and Highcroft, and vicinity, (T)  
located approximately four miles northwest of Forestville, Sonoma County. (T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Monthly Quantity Rates:		
First 400 cu.ft. or less .....	\$ 3.75	(I)
Next 1,000 cu.ft., per 100 cu.ft. ....	.35	
Over 1,400 cu.ft., per 100 cu.ft. ....	.25	
	<u>Per Meter</u> <u>Per Year</u>	
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$45.00	(I)

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates. (N)  
|  
(N)

(Continued)



## Schedule No. 1A

(T)

ANNUAL GENERAL METERED SERVICE  
(Continued)SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.

(T)

(T)

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(N)

(N)

Schedule No. 2AR

(T)

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

The areas known as Summer Home Park and Higheroft, and vicinity, located approximately four miles northwest of Forestville, Sonoma County.

(T)

RATE

Per Service Connection  
Per Year

For a single-family residential unit, including premises .....	\$46.00	(I)
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SPECIAL CONDITIONS

1. The above flat rate applies to service connections not larger than one inch in diameter. (N)

2. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day. (T)

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods. (N)

(Continued)

APPENDIX A  
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Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (Continued)

4. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where the initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

(N)

(N)