

ORIGINALDecision No. 67644

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
 DUNSMUIR WATER CORPORATION under)
 Section 454 of the Public Utilities)
 Code for authority to increase rates)
 for water service. }

Application No. 45841
 (Filed October 7, 1963)

Chas. H. Heltzel, Smith, Rives & Rodgers,
 for applicant.

David F. La Hue, for the Commission staff.

O P I N I O NProceeding

This application was heard before Examiner Coffey at Fort Jones on February 5, 1964. It was submitted on March 6, 1964, upon the filing of the hearing transcript and the receipt of late-filed exhibits. Copies of the application and notice of hearing were served in accordance with the Commission's procedural rules.

Applicant presented three exhibits and testimony by three witnesses in support of its request for authority to increase its rates and charges for water service in Fort Jones and vicinity, Siskiyou County. Two witnesses from the Commission staff presented the results of their independent studies and investigation of applicant's operation. All of the four members of the public at the hearing protested the requested increase in rates. Two members of the public complained of low water pressure.

System and Service Area

Applicant is a wholly owned subsidiary of the Boise Water Corporation, Boise, Idaho. Boise Water Corporation is a wholly owned subsidiary of General Water Works Corporation, a Delaware corporation, engaged in utility operations directly or through subsidiaries throughout the United States. A subsidiary of Boise Water Corporation, Oregon Water Corporation, with headquarters in Klamath Falls, Oregon, renders service to applicant. Applicant, in addition to Fort Jones and vicinity, also furnishes water as a public utility in Dunsmuir and vicinity, Siskiyou County.

As of December 31, 1963, applicant served in its Fort Jones District 176 metered customers and 34 public fire hydrants. The number of customers has been relatively stable, having varied from 165 in 1951 to a maximum of 173 in 1955 and a low of 163 in 1957.

Applicant's Request and Rate Proposal

The following table sets forth applicant's present and proposed rates.

PRESENT AND PROPOSED RATES

General Metered Service

		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
Quantity Rates:			
First	600 cu.ft., or less	\$1.85	\$2.85
Next	400 cu.ft., per 100 cu.ft. ....	.31	.47
Next	1,000 cu.ft., per 100 cu.ft. ....	.18	.27
Next	2,000 cu.ft., per 100 cu.ft. ....	.12	.13
Next	6,000 cu.ft., per 100 cu.ft. ....	.10	.15
All Over	10,000 cu.ft., per 100 cu.ft. ....	.06	.09

Minimum Charge:

For	5/8 x 3/4-inch meter	1.85	2.85
For	3/4-inch meter	2.00	3.05
For	1-inch meter	2.15	3.25
For	1½-inch meter	2.50	3.80
For	2-inch meter	3.75	5.70
For	3-inch meter	5.00	7.60

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

Public Service

		<u>Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
1. Fire Hydrants:			
	For each 2-inch or 2½-inch hydrant	\$.65	\$ -
	For each 4-inch one-outlet hydrant	1.25	\$ -
	For each 4-inch two-outlet hydrant	1.35	-
	For each 6-inch two-outlet hydrant	1.55	-
	For each hydrant connection, per month	-	1.50
2. Sprinkling roads and streets by the town or county measured by wagon or truck tank capacity, per 100 cu.ft.			
		.06	.09

The monthly bill for the average monthly consumption of 1,300 cubic feet would increase from \$3.63 under present rates, to \$5.54 under proposed rates, 53 percent.

Issues

The following are issues in this proceeding:

1. Reasonableness of the estimates of operating revenues, expenses, including taxes and depreciation, and rate base.
2. Reasonableness of rate of return.

Results of Operation

The following tabulation compares the estimates made by the staff and by applicant for the results of operation under both present and proposed rates.

SUMMARY EARNINGS

<u>Item</u>	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Applicant</u> <u>Showing(1)</u> <u>Exhibit 2</u>	<u>:CPUC Staff:</u> <u>Showing(2)</u> <u>:Exhibit 3</u>	<u>Applicant</u> <u>Showing (3)</u> <u>:Exhibit 2</u>	<u>:CPUC STAFF</u> <u>Showing(2)</u> <u>:Exhibit 3</u>
Operating Revenues	\$ 8,410	\$ 8,560	\$12,799	\$13,000
<u>Deductions</u>				
Operating Expense	6,408	6,060	6,428	6,060
Depreciation Expense	1,544	1,400	1,381	1,400
Taxes				
Other Than Income	-	1,100	-	1,100
On Income	-	-	-	1,560
Total Taxes	<u>1,223</u>	<u>-</u>	<u>2,706</u>	<u>-</u>
Total Deductions	9,175	3,560	10,515	10,120
Net Revenue	(765)	-	2,284	2,380
Depreciated Rate Base	34,665	33,590	34,864	33,590
Rate of Return	(2.21%)	-%	6.6%	8.6%

(1) 12 months ended September 30, 1963 (actual)

(2) 1963 estimated

(3) 12 months ended September 30, 1963 (adjusted)

(Red Figure)

These results of operation are not directly comparable inasmuch as the test periods are not identical.

The staff's estimate of revenue at present rates is \$150 greater than applicant's estimate. The staff's estimate reflects an average addition of five residential customers and three fire hydrants in 1964. Applicant's revenue estimates are based on recorded billings during the 12-month period ended June 30, 1963. We will include in our adopted summary of earnings the recorded revenue for the year 1963, \$8,470, at present rates.

Applicant's estimate of operating expense at present rates exceeds that of the staff by \$348. This difference is largely due to the staff reduction of power expense to reflect an allowance of 15 percent for unaccounted water production which averaged 40 percent in 1962. This reduction was offset in part by staff allowances for telephone and rate case expenses which applicant did not include in its estimate.

Witness for applicant testified that despite substantial efforts the utility had been unable to satisfactorily reduce the amount of unaccounted water. This system was installed originally in 1906. We will include in our adopted results the operating expenses recorded for the year 1963.

Applicant in 1961 and 1962 computed the annual depreciation accrual at rates in effect prior to those authorized, but not ordered, by this Commission in 1960. Applicant (in proposed rate showing) reduced the depreciation reserve by the excess of the amount actually accrued over the amount which would have been accrued if the rates authorized in 1960 had been used. The staff's estimates of depreciation expense used approximately the same depreciation rates for each account as authorized in 1960 and reflected the installation of plant in the test year. We will include in our adopted results the staff depreciation expense and reserve estimates.

The difference between the rate bases estimated by applicant and staff results mainly from the allowances included for working cash and materials and supplies. We will include the staff's rate base in our adopted results of operation, which reflects recorded accrued depreciation.

Service

Applicant in response to a service complaint of low pressure indicated willingness to relocate a meter to shorten the service line if the customer would bear the cost of a highway crossing. Applicant is reminded that this Commission has promulgated General Order 103 which sets forth the rules governing water service. However, it is noted that applicant did not in its late-filed Exhibit No. 5 indicate the pressures available to the customer. Therefore, it may not be appropriate for the utility to require the customer to bear part of the cost of improving the service.

Adopted Results

The staff recommended that the rate of return for applicant be from 6.25 percent to 6.50 percent. We will adopt a rate of return of 6.5 percent in this proceeding as reasonable.

We find that the estimates under present and authorized rates as set forth below of operating revenues, expenses, including taxes and depreciation, and rate base for the year 1963 reasonably represent the results of applicant's operations for the purposes of this proceeding.

ADOPTED SUMMARY OF EARNINGS
YEAR 1963

<u>Item</u>	<u>Present Rates</u>	<u>Authorized Rates</u>
Operating Revenues	\$ 8,470	\$11,610
<u>Deductions</u>		
Operating Expense	6,210	6,210
Depreciation Expense	1,400	1,400
Taxes Other Than Income	1,100	1,100
Taxes On Income	-	720
Total Deductions	8,710	9,430
Net Revenue	-	2,180
Depreciated Rate Base	33,590	33,590
Rate of Return	-%	6.5%

These adopted results include the recorded operating revenues and expenses for the year 1963, first application in 1963 of the depreciation rates authorized in 1960, and the current income tax rates.

Findings

Upon consideration of the evidence the Commission finds that:

1. The foregoing adopted rates of return, operating revenues, expenses, including taxes and depreciation, and rate base, are reasonable for the purpose of prescribing rates.
2. Applicant is earning less than a reasonable rate of return and increased rates should be authorized.
3. The increases in 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.

We conclude that applicant's request for authority to increase its rates should in part be granted as provided in the following order.

Under the rates hereby authorized the monthly bill for the average monthly consumption of 1,300 cubic feet will increase from \$3.63 to \$5.02, 38 percent.

O R D E R

IT IS ORDERED that:

1. Applicant, Dunsmuir Water Corporation, is 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 September 1, 1964.

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 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 initiate a leak detection program to reduce the percentage of unaccounted water production and shall report the results of said program in writing to this Commission on or before January 31 and July 31 of each year, beginning with January 31, 1965, for a total of four reports.

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

Dated at San Francisco, California, this Hth day of AUGUST, 1964.

Frederick B. Hallock
President

George E. Hoover

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

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

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service. (T)

TERRITORY

Fort Jones and vicinity, Siskiyou County. (T)

RATES

Per Meter
Per Month

Quantity Rates:

First	600 cu.ft. or less	\$2.55	(I)
Next	400 cu.ft., per 100 cu.ft. ....	.43	|
Next	1,000 cu.ft., per 100 cu.ft. ....	.25	
Next	2,000 cu.ft., per 100 cu.ft. ....	.17	
Next	6,000 cu.ft., per 100 cu.ft. ....	.14	
Over	10,000 cu.ft., per 100 cu.ft. ....	.08	(I)

Minimum Charge:

For	5/8 x 3/4-inch meter	2.55	(I)
For	3/4-inch meter	2.75	|
For	1-inch meter	3.00	
For	1 1/2-inch meter	3.45	
For	2-inch meter	5.20	
For	3-inch meter	6.90	(I)

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. 5 (T)

PUBLIC FIRE HYDRANT SERVICE (T)

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State. (T)
(T)

TERRITORY

Fort Jones and vicinity, Siskiyou County. (T)

RATE

For each hydrant Per Month
\$1.50 (I)

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. (T)
(T)
2. The cost of installation and maintenance of hydrants shall be borne by the utility. (N)
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. (N)

Schedule No. 9 ML

(N)

TANK TRUCK WATER SERVICE

APPLICABILITY

Applicable to all measured water service furnished for road sprinkling by delivery to tank trucks.

(N)
(N)

TERRITORY

Fort Jones and vicinity, Siskiyou County.

(T)

RATE

Per Month

For all water delivered, per 100 cu.ft.

\$.09

(I)

SPECIAL CONDITION

Service under this schedule shall be limited to sprinkling of roads and streets by the appropriate public authorities.

(N)
(N)