

ORIGINALDecision No. 73336

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of JACOB J. and MAXINE M.
CZERWIENIEC, doing business as the
LOLETA WATER WORKS, under Section
454 of the Public Utilities Code,
for authority to increase rates
for water service. }

Application No. 49438
(Filed June 8, 1967)

O P I N I O N

Jacob Czerwieniec and Maxine Czerwieniec,¹ doing business as Loleta Water Works, seek authority to increase rates for water service.

At the request of the Commission, applicant sent a notice to each customer regarding the requested rate increase, inviting customers to call the Commission's attention to any problems concerning water service, billing procedure, or other factors pertaining to a reasonable charge for water service. The Commission received letters from four customers citing low pressures and poor water service, as discussed in a Commission staff report hereby received as Exhibit No. 1.

Service Area and Water System

Applicants provide water service to some 65 metered and 100 flat rate customers in the unincorporated community of Loleta, Humboldt County.

The source of supply consists of one well and three springs, equipped with pumps and hydropneumatic tanks. The distribution system consists of approximately six miles of mains, varying in size from 3/4-inch to 4-inches, and four storage tanks and reservoirs.

¹ Also known as Jacob J. Czerwieniec and Maxine M. Czerwieniec.

Service

Historically,² this water system has provided less than adequate service, but Exhibit No. 1 states that there have been no informal complaints to this Commission concerning this utility since January 1, 1963.

The Commission staff recently made field investigations of applicants' operations. Plant and facilities were inspected, pressures were checked, customers were interviewed, and applicants' records were examined. Operating pressures were measured at about 20 to 42 psi at the time of the staff's field investigation. A copy of a letter from the local health authorities, hereby received as Exhibit No. 2, shows that the results of bacteriological analyses of water samples have indicated that the water quality is not satisfactory, but applicants plan to correct this condition.

Applicants acquired the water system from the former owner in December 1966. Although service now is better than in prior years, the water system, existing since 1900, has many small mains, and an intensified main replacement program is proposed by applicants. Exhibit No. 1 states that, since filing this application, applicants have indicated their willingness to install a new 8-inch transmission main replacing the 3-inch main from the spring and reservoir to town, which main will be under construction this year.

Rates and Rules

Applicants' present tariffs include rates for general metered service and general flat rate service. These rates were authorized for applicants' predecessor in 1958. Applicants propose

² Decision No. 24231, dated November 16, 1931, in Case No. 3112 states that "... poor and inadequate service conditions have existed for at least the last ten years ...". Later decisions indicate that service problems continued.

to increase the present rates and ask that certain additional charges be established.

The following Table I presents a comparison of applicants' present rates, those requested by applicants, and those recommended in Exhibit No. 1 by the Commission staff:

TABLE I
Comparison of Rates

<u>Item</u>	<u>Present Rates</u>	<u>Applicants' Proposal</u>	<u>Staff Recommendation</u>
<u>General Metered Service</u>			
First 400* cu.ft. or less	\$ 2.50	\$ 4.50	\$ 4.00
Next 3,600 cu.ft., per 100 cu.ft.	.50	.60	.70
Next 6,000 cu.ft., per 100 cu.ft.	.40	.50	.50
Next 15,000 cu.ft., per 100 cu.ft.	.30	.40	.35
Next 10,000 cu.ft., per 100 cu.ft.	.20	.30	.20
Over 35,000 cu.ft., per 100 cu.ft.	.20	.20	.20
<u>General Flat Rate Service</u>			
<u>Residential:</u>			
Single-family residential unit	3.25	4.50	4.50
Each additional single-family residential unit on same premises	1.00	3.50	2.00
Each 100 sq.ft. of premises in excess of 10,000 sq.ft. ....	.00	.00	.01
<u>Motels, Hotels, Apartments:</u>			
Including one unit	3.25	4.50	#
Each additional unit, without kitchen	.50	2.50	#
Each additional unit, with kitchen	.50	3.50	#
<u>Other:</u>			
Store, shop or hall	3.50	4.50	4.50
Restaurant	4.00	6.00	#
Loleta Public School	25.00	25.00	25.00
Hook-up fee, established service ...	.00	5.00	.00
Hook-up fee, new service .....	.00	50.00	.00
Deposit fee .....	.00	5.00	.00

* For a 5/8 by 3/4-inch meter.
A graduated scale of increased minimum charges is provided for larger meters.

Staff recommends metered service for these classifications.

The staff's tariff recommendations include (1) minor revision in the meter rates proposed by applicants, to produce the same

revenue but maintain a differential between the smallest meter minimum charge and the flat rate charge, (2) metering of motels, hotels, apartments, restaurants and service stations, due to the potentially wide fluctuation in use by such customers, (3) revision of applicants' rules, most of which were filed in 1953 and are somewhat outmoded, (4) revision of applicants' filed tariff service area map, which does not now delineate the boundaries of the service area, and (5) disallowance of applicants' requests for hook-up charges (which are prohibited by General Order No. 103) and for larger customer deposits to establish credit than are provided by current rules of most water utilities. The staff tariff recommendations appear reasonable and are adopted in the order which follows:

Results of Operation

Applicants and the Commission staff have analyzed and estimated applicants' operational results. Summarized in Table II, from the staff's Exhibit No. 1 and from applicants' Exhibit E, are the estimated results of operation for the test year 1967, under present water rates, those proposed by applicants, and those recommended by the staff:

TABLE II

Estimated Results of Operation
(Test Year 1967)

<u>Item</u>	<u>Staff</u>	<u>Applicants</u>
<u>Present Rates</u>		
Operating Revenues	\$ 8,300	\$ 8,000
Deductions	9,300	9,650
Net Revenue	(1,000)	(1,650)
Rate Base	25,730	36,990
Rate of Return	loss	loss
<u>Rates Proposed by Applicant</u>		
Operating Revenues	11,180*	11,100
Deductions	9,310	9,650
Net Revenue	1,870	1,450
Rate Base	25,730	36,990
Rate of Return	7.3%	3.9%

(Red Figure)

* Also under staff recommended rates.

From Table II it can be seen that applicants' requested rates would result in an increase of about 35 percent in operating revenues. This is approximately the same relative increase as in a typical customer's bill.

There are several differences in the revenues, deductions and rate base estimated by applicants and the corresponding staff estimates. The staff estimates appear reasonable and, inasmuch as the rate of return derived by the staff under applicants' proposed rates is not excessive, we need not discuss the differences in detail.

Accounting Records

Exhibit No. 1 states that the staff's examination of applicants' books of account revealed numerous accounting deficiencies which required considerable effort by the staff to determine the proper account balances from an investment and results of operation standpoint. Some of the major shortcomings are as follows:

- a. Unrecorded retirements.
- b. Failure to transfer land and depreciable plant facilities not presently in service to Ac. 115, Nonwater Utility Property and Other Assets.
- c. Failure to amortize depreciable plant financed by contributions in aid of construction.
- d. Incomplete customers' ledger.

Certain items of plant included in rate base in prior proceedings no longer appear appropriate. These consist of certain presently unused water rights, rights-of-way, reservoirs, pumps and related equipment and pipes. The staff recommends in Exhibit No. 1 that (1) the tangible plant and depreciation reserve involved in these items be treated as nonutility plant until such time as it may again be used for utility purposes and (2) that the intangible

plant involved be retired from plant accounts and amortized in a manner similar to the amortization of an acquisition adjustment. The staff recommendations appear reasonable but the status and treatment of these items in future rate proceedings will be subject to further review if conditions then warrant.

Findings and Conclusions

The Commission finds that:

1.a. Applicants are in need of additional revenues but the proposed rates set forth in the application require minor modification in format.

b. The adopted staff estimates, previously summarized and discussed herein, of operating revenues, operating expenses and rate base for the test year 1967 reasonably represent the results of applicants' future operations.

c. A rate of return of 7.3 percent on rate base is reasonable for applicants' operations.

d. 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 prescribed herein, are for the future unjust and unreasonable.

2. The adjusted balances of utility plant, depreciation reserve, advances for construction, contributions in aid of construction and other balance sheet accounts, at December 31, 1966, as corrected by the Commission staff and set forth on page 6 of Exhibit No. 1, are reasonable. Recorded balances, to the extent they differ from the corrected balances, are unreasonable.

3.a. Applicants' present tariff service area map is incomplete.

b. Applicants' present rules are not the current revised rules filed by most water utilities.

4. A composite straight-line remaining life depreciation rate of 3.2 percent is reasonable for applicants' present plant.

5. Applicants have not prepared the system map prescribed by General Order No. 103.

6. A public hearing is not necessary.

The Commission concludes that the application should be granted as set forth in the order which follows and that applicants should be required to take the actions set forth therein.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicants Jacob Czerwieniec and Maxine Czerwieniec, doing business as Loleta Water Works, are authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. On or before December 31, 1967, applicants shall record in their books of account the staff adjusted balances for utility plant, related depreciation reserve, advances for construction, contributions in aid of construction and other balance sheet accounts, at December 31, 1966, as set forth in the balance sheet on page 6 of Exhibit No. 1 in this proceeding.

3. Within forty-five days after the effective date of this order, applicants shall file a revised tariff service area map, appropriate general rules, and sample copies of printed forms that are normally used in connection with customers' services. Such

filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

4. For the year 1967, applicants shall apply an annual depreciation rate of 3.2 percent. Until review indicates otherwise, applicants shall continue to use this rate. Applicants shall review their depreciation rate at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to the Commission.

5. Applicants shall prepare and keep current the system map required by Paragraph I.10.a of General Order No. 103. Within ninety days after the effective date of this order, applicants shall file with the Commission two copies of this map.

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

Dated at San Francisco, California, this 14th day of NOVEMBER, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Loleta and vicinity, located approximately 10 miles south of Eureka, Humboldt County.

(T)
(T)

RATES

Per Meter
Per Month

Quantity Rates:

First	400 cu.ft. or less	\$ 4.00
Next	3,600 cu.ft., per 100 cu.ft. ....	.70
Next	6,000 cu.ft., per 100 cu.ft. ....	.50
Next	15,000 cu.ft., per 100 cu.ft. ....	.35
Over	25,000 cu.ft., per 100 cu.ft. ....	.20

(I)

Minimum Charge:

For	5/8 x 3/4-inch meter	4.00
For	3/4-inch meter	5.00
For	1-inch meter	7.50
For	1 1/2-inch meter	12.00
For	2-inch meter	18.00
For	3-inch meter	30.00
For	4-inch meter	50.00
For	6-inch meter	70.00

(I)

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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Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Loleta and vicinity, located approximately 10 miles south of Eureka, Humboldt County. (T)
(T)

RATES

	<u>Per Service Connection Per Month</u>	
1. For a single-family residential unit, including premises not exceeding 10,000 sq.ft. in area	\$ 4.50	(T) (T) (I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	2.50	(I)
b. For each 100 sq.ft. of premises in excess of 10,000 sq.ft. ....	.01	(N)
2. For each store, shop or hall	4.50	(I)
3. Loleta Public School	25.00	

SPECIAL CONDITIONS

- The above flat rates apply to a service connection not larger than one inch in diameter. (N)
(N)
- If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service. (C)
(C)