

Decision No. 75276

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Garberville Water Company, Inc.,)
A California Corporation,)
under Section 454 of the Public)
Utilities Code for Authority to)
Increase Rates for Water Service.)

Application No. 50453
(Filed July 31, 1968)

Fred E. Hurlbutt, for applicant.
John D. Reader, for the Commission staff.

O P I N I O N

In this proceeding, Garberville Water Company, Inc., a California corporation, seeks authority to increase its water revenues by approximately 60 percent in order to provide it with a reasonable return on its investment.

Public hearing was held before Examiner Emerson in Garberville on December 17, 1968. The matter is submitted. Three of applicant's customers attended a portion of the hearing and one expressed opposition to the minimum charge of \$4.50 per month proposed by applicant.

Based upon the evidence, the Commission makes the following findings of fact:

1. This water utility supplies approximately 263 active service connections, all but 7 of which are metered. Service is also supplied to 15 fire hydrants. All service is provided at rates last authorized by this Commission in 1961. Since such year the utility has lost 51 customers, 35 of them having been permanently eliminated by the construction of a freeway through the town and

the balance through a general decline in lumbering activities in the area. The water supply and system is adequate and all of the water supplied to customers is maintained at a high degree of quality.

Primarily because of the loss of customers, the utility operated at a loss in 1965 and in 1966. Two temporary connections (the Redway Community Service District and highway contractors) enabled it to earn a small profit in 1967. Operations in 1968 will again show a loss. The evidence is clear that applicant is in need of and entitled to increased revenues.

2. The utility has been unable to borrow funds for the major reconstruction and main replacements forced upon it by street, highway, sewer, and drainage work within the community. Its Secretary-Treasurer, however, has borrowed a total of \$54,000 on a personal basis and has advanced such sum to the utility. This sum represents more than one-half of the utility's net plant investment. The loan bears an interest rate of $7\frac{1}{2}$ percent.

3. After correction of a staff-made accounting error respecting landed capital, we find that applicant's total utility plant in service amounted to \$171,039 as of June 30, 1968. Subtracting the reserve for depreciation (\$51,723) and contributions in aid of construction (\$19,602) therefrom indicates that applicant's net investment in plant amounted to \$99,714 as of such date. When normal amounts for working cash and for materials and supplies are added thereto, an average-year rate base of \$103,600 results. The evidence indicates that such rate base is appropriate for the purposes of this proceeding.

4. In view of the above-recited facts, the rate of return computation normally used as a measure of the reasonableness of rate proposals has less than usual practical application. The plain fact

is that the utility must have revenues sufficient not only to meet operating expenses but also to provide earnings and cash flow and to meet both the loan interest payments and retirement of the principal within a reasonable period of time. The utility's normal operating expenses, before provision for depreciation and taxes, amount to approximately \$19,000. Depreciation expense on presently existing plant amounts to \$3,980 while taxes add about \$3,000, for a total of approximately \$26,000. Staff witnesses testified that the utility needs \$8,125 in net revenues. Adding this latter amount to expenses, indicates the need for annual gross revenues of \$34,125. It follows that increased revenues of about \$10,300 must be provided if the utility is adequately to meet its operating expenses and its other financial obligations. In view of the evidence we find such increase is justified. To the average water user such an increase will increase the amount of his water bills by approximately 44 percent.

5. The utility's records and bookkeeping practices are inadequate and deficient. The utility must substantially improve such situation and it is hereby specifically placed on notice that in accordance with the provisions of the "Uniform System of Accounts for Class D Water Utilities" prescribed by this Commission, its gross revenues now exceeding \$25,000 annually, it is now mandatory that it use a work order system for recording plant additions and retirements. (See Section 38. Accounting instructions-water plant accounts). The utility's books and records should be restated to reflect properly the amounts for utility plant, depreciation and contributions in aid of construction as determined by the staff in this proceeding, except that the landed capital account should show the sum of \$2,900 supported by the testimony of applicant's Secretary-Treasurer.

6. There is no justification for the continuance of flat rate service on this system. The order herein will direct that, within a reasonable time, meters shall be installed on all present flat rate service connections.

7. The evidence respecting depreciation accruals is convincing that the utility should be required to change its present accrual percentages to those recommended by the staff, commencing with the year 1968.

8. The utility's system and tariff service area maps do not reflect current conditions and should be brought up to date.

The Commission concludes that:

1. The application of Garberville Water Company should be granted to the extent set forth in the order which follows and that said company should be required to take such actions as are set forth therein.

2. The rates and charges set forth in the order which follows are just and reasonable and that existing rates and charges, insofar as they differ therefrom, are for the future unjust and unreasonable.

O R D E R

IT IS ORDERED that:

1. Garberville Water Company, Inc. (applicant herein) is authorized to file with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96-A, the schedules of rates and charges attached hereto as Appendix A and, on not less than ten days' notice to the public and to this Commission, to make said schedules effective for water service rendered on and after March 1, 1969.

2. By not later than May 1, 1969, applicant shall have installed meters on all services not presently metered and shall thereafter render no further service on a flat rate basis.

3. By not later than May 1, 1969, applicant shall restate its books of account to reflect therein the adjustments to utility plant, depreciation reserve and contributions in aid of construction set forth in paragraph 16 on page 4 of Exhibit No. 1 in this proceeding, except that Account 306 Landed Capital shall be restated as \$2,900.

4. Commencing with the year 1968, applicant shall base accruals to the depreciation reserve upon spreading the original cost of depreciable plant, less estimated future net salvage and less the depreciation reserve, over the remaining life of the plant and for such purpose shall use the individual plant account depreciation rates shown in Table II-A of Exhibit No. 1 on this proceeding. Such rates shall be used until a major change in plant composition occurs, or reviews at five-year intervals indicate that revision is appropriate.

5. By not later than 90 days from the effective date of this order, applicant shall file with this Commission two copies of a comprehensive system map (required by paragraph I.10a of General Order No. 103) and two copies of a tariff service area map revised to reflect present-day service.

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

Dated at San Francisco, California, this 17th day of FEBRUARY, 1969.

William Seymour
President
Arthur J. ...
John P. Monissey
John ...

Commissioners

APPENDIX A
Page 1 of 4

Schedule No. 1

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Garberville and vicinity, Humboldt County.

(T)

RATESPer Meter
Per Month

Quantity Rates:

First	500 cu. ft. or less	\$ 3.75	(I)
Next	1,500 cu. ft., per 100 cu. ft.	0.65	
Next	8,000 cu. ft., per 100 cu. ft.	0.54	
Over	10,000 cu. ft., per 100 cu. ft.	0.40	

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 3.75	
For	3/4-inch meter	5.50	
For	1-inch meter	9.00	
For	1 1/2-inch meter	17.00	
For	2-inch meter	26.00	
For	3-inch meter	46.00	
For	4-inch meter	72.00	(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
Page 2 of 4

Schedule No. 2RX

(T)

RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Garberville and vicinity, Humboldt County.

(T)

RATES

	<u>Per Service Connection Per Month</u>
For a single family residence, including premises not exceeding 7,500 sq. ft. in area	\$3.25
a. For each additional residence on the same premises and served from the same service connection	1.75
b. For each 100 sq. ft. of area in excess of 7,500 sq. ft. from June 1 to October 31, inclusive03

SPECIAL CONDITIONS

1. The above flat rates shall apply only to service connections not larger than one inch in diameter.

2. Meters will be installed at option of utility or customer for above classification, in which event service thereafter will be furnished only on the basis of Schedule No. 1, Metered Service.

(T)

3. This schedule shall be effective only to and including May 1, 1969, and will thereafter be withdrawn.

(N)

(N)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Garberville and vicinity, Humboldt County. (T)

RATE

	<u>Per Month</u>	
For each 2-inch wharf-type hydrant	\$4.50	(I)

SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
3. For water delivered for other than private fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, Metered Service. (T)

APPENDIX A
Page 4 of 4

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

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

TERRITORY

Garberville and vicinity, Humboldt County. (T)

RATEPer Month

For each double outlet,
2½-inch diameter fire hydrant:

a. Owned and maintained by the utility	\$4.50	(I)
b. Owned and maintained by the Garberville Fire Protection District	4.00	(I)

SPECIAL CONDITIONS

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

2. Hydrants owned and maintained by the fire protection district will be installed by the utility at the cost of the district. (T)

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

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

5. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size. (N)
(N)