

**ORIGINAL**

Decision No. 75315

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
OLEMA WATER SYSTEM under Section 454 )  
of the Public Utilities Code for )  
authority to increase rates for )  
water service. )

Application No. 50294  
(Filed June 7, 1968)

O P I N I O N

Olema Water System seeks authority to increase rates for water service.

A report on applicant's water system was prepared by the Commission staff and is hereby incorporated in the record as Exhibit 1.

Applicant serves 28 metered customers in the town of Olema. It obtains water from storage tanks with total capacities of 16,000 gallons. The distribution system consists of approximately 7,580 feet of cast iron pipe ranging in size from 3/4-inch to 3-inch. As of December 31, 1967, there were 28 metered services and no unmetered services.

Applicant's present rates became effective July 31, 1923. Applicant requests an increase of 200 per cent in revenues at proposed rates for the adjusted year 1967. It proposes to increase the present monthly basic minimum charge for 0 to 400 cubic feet from \$1.00 to \$3.00 per meter per month and to increase the quantity

charge from \$0.25 to \$0.75 per 100 cubic feet for quantities from 400 to 5,000 cubic feet, and to increase all quantities over 5,000 cubic feet from \$0.20 to \$0.60 per 100 cubic feet. No rate schedule has been authorized or requested for flat rate service.

If the proposed rates are authorized the average monthly water bill for the residential customers would be increased from \$2.47 to \$7.41.<sup>1/</sup>

According to the staff's report applicant's source of water supply is adequate to meet present-day demands; however, its transmission and distribution mains fail to comply with the Commission's standards as established in PUC General Order No. 103 in that the mains are non-recirculating with no apparent provision for flushing.

In order to remedy the inadequacies of the existing system the staff recommends the following improvements:

- a. Replace approximately 800' of 3/4" and other size main on the southern end of the system with 4" pipe. (Estimated cost \$2,800.)
- b. Replace the present 1,200' of 2" line running from the lower tank to the intersection of Bear Valley Road and State Route #1 (main street of Olema) with 4" pipe. (Estimated cost \$4,200.)
- c. Provide means of flushing dead ends of mains. (Included in above estimates.)

In making its determination the staff considered applicant's operations based upon its existing plant and with the additional \$7,000 investment.

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<sup>1/</sup> Under Appendix "A" of decision, average monthly bill will be \$4.22 and under Appendix "B", if and when applicable, it will be \$6.70.

Results of Operation for  
Adjusted 1967 & Estimated 1968

Item	Adjusted Year 1967				Estimated Year 1968			
					:With \$7,000 Invest:			
	: Staff* : Applicant : Staff :				: Staff :			
	Present	Present	Proposed	Present	Proposed	Present	Proposed	
	Rates	Rates	Rates	Rates	Rates	Rates	Rates	
Operating Revenues	\$1,397	\$1,397	\$4,191	\$1,378	\$4,129	\$1,378	\$4,129	
Operating Expenses	574	2,014	2,014	1,410	1,410	1,410	1,410	
Depr. Expense	443	443	443	443	443	688	688	
State Tax	100	100	224	100	159	100	142	
Fed. Tax	-	-	660	-	513	-	458	
Total Deductions	1,117	2,557	3,341	1,953	2,525	2,198	2,698	
Net Oper. Rev.	280	(1,160)	850	(575)	1,604	(820)	1,431	
Avg. Rate Base	-	-	6,165	-	5,815	12,815	12,815	
Rate of Return%	-	-	13.8%	-	27.6%	-	11.2%	

(Red figure)

\* Accounting Adjustments

The staff was of the opinion that at the present level of service a five per cent rate of return on the rate base exclusive of the cost of the recommended improvements is fair and reasonable. This would require an increase in revenues of \$950 annually. The staff therefore recommends that for the present an increase to that extent be authorized and upon the satisfactory completion of the improvements suggested that the rates be increased to the extent that they result in a rate of return of nine per cent on a rate base of \$12,815.

The staff also recommends that applicant be:

- a. Required to clean and fence source of supply.
- b. Required to clean settling tank and install tight cover on same.
- c. Required to file up-dated rules and a service area map.
- d. Ordered to prepare, and keep current, the system map required by Paragraph I.10a of General Order No. 103. Within 90 days after the effective date of the order in this proceeding, applicant should file two copies of the map with the Commission.
- e. Required to record in its books of account the staff adjusted balances for utility plant and reserve for depreciation, as of December 31, 1967, as set forth in the tabulation titled, "Utility Plant in Service, Depreciation Reserve and Net Plant Investment" in this report.
- f. Required to keep its books of account current, and to retain all invoices and other documents needed to support entries in the books of account.
- g. Required to compute depreciation by the straight-line remaining life method.
- h. Required to apply for a water supply permit as required by the Health and Safety Code of the State of California.

After consideration the Commission finds that:

1. Applicant is in need of additional revenue.
2. Applicant's system is not presently being operated at an adequate level.
3. Pending completion of the improvements hereinafter set forth the increases in rates and charges as set forth in Appendix A attached hereto are just and reasonable.

4. Upon satisfactory completion of the improvements hereinafter set forth the increases in rates and charges as set forth in Appendix B attached hereto are just and reasonable.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant corporation, Olema Water System, is 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 or after the effective date thereof.

2. Within 12 months after the effective date of this order, applicant shall install new 4" mains to replace 800 feet of existing undersized mains on south end of system and replace approximately 1,200 feet of 2" line running from the lower tank to the intersection of Bear Valley Road and State Route #1 with 4" pipe. Within the same period, applicant shall provide means of flushing dead ends of mains; clean and fence source of supply; clean the settling tank; and install tight cover on same. After the completion of these improvements, a report shall be submitted to the Commission setting forth the details and cost of the improvements.

3. After compliance with Paragraph 2 above as evidenced by the issuance by the Commission of a supplemental order to that effect,

applicant will be authorized to file with this Commission, in conformity with General Order No. 96-A, the schedule of rates attached to this order as Appendix B.

4. Applicant shall prepare and keep current the system map required by Paragraph I.10a of General Order No. 103. Within ninety days after the effective date of this order, applicant shall file with the Commission two copies of this map drawn to an indicated scale of not more than 400 feet to the inch.

5. Applicant shall reclassify the cost of the "Survey of Water System", a nonutility expense, from Account No. 201, Intangible Plant, to Account No. 202, Earned Surplus.

6. Applicant shall record in its books of account the staff adjusted balances for utility plant and reserve for depreciation as of December 31, 1967, as set forth in the tabulation titled "Utility Plant, Depreciation Reserve and Net Plant Investment" in Exhibit 1 in this proceeding.

7. For the year 1968, applicant shall apply a composite depreciation rate of 3.5 per cent to the original cost of plant. Until review indicates otherwise, using the straight-line remaining life method, applicant shall continue to use this rate. Applicant shall review the depreciation rates 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.

8. Within 120 days after the effective date of this order, applicant shall make application for a water permit as provided for by the Health and Safety Code of the State of California, and shall comply with the laws and regulations of the state or local Department of Public Health - (C.O. No. 103, Sec. II, Paragraph 1a) - and within 10 days after making such application shall file in this proceeding, written notice of compliance.

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

Dated at San Francisco, California, this 11<sup>th</sup>  
day of FEBRUARY, 1969.

William Aguirre - J.  
President

Auguston

David P. Monahan

Alfred J. ...

Thomas ...  
Commissioners

## APPENDIX A

## Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Olema and vicinity, 2 miles south of Point Reyes Station, Marin County.

RATES

Per Meter  
Per Month

## Quantity Rates:

First	400 cu. ft. or less .....	\$ 1.75
Next	4,600 cu. ft., per 100 cu. ft. ....	.42
Over	5,000 cu. ft., per 100 cu. ft. ....	.34

## Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 1.75
For	3/4-inch meter .....	3.00
For	1-inch meter .....	4.25
For	1 1/2-inch meter .....	7.50
For	2-inch meter .....	13.50

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



## APPENDIX B

## Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Olema and vicinity, 2 miles south of Point Reyes Station, Marin County.

RATES

	Per Meter Per Month	
Quantity Rates:		
First 400 cu. ft. or less .....	\$ 2.70	I
Next 4,600 cu. ft., per 100 cu. ft. ....	.68	
Over 5,000 cu. ft., per 100 cu. ft. ....	.54	
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$ 2.70	
For 3/4-inch meter .....	4.00	
For 1-inch meter .....	5.75	
For 1 1/2-inch meter .....	10.00	
For 2-inch meter .....	18.00	I

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