

Decision No. 14200.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

CITY OF MANTECA, San Joaquin County,
State of California, a municipal
corporation,

Plaintiff,

vs.

MANTECA WATER WORKS, a public serv-
ice corporation,

Defendant.

ORIGINAL

Case No. 2024.

J. R. Scott, for City of Manteca.

Guard C. Darrah, for Manteca Water Works.

MARTIN, Commissioner:

O P I N I O N

In this proceeding the City of Manteca, a municipal corporation, makes complaint against the reasonableness of the rates and practices of Manteca Water Works, a public utility corporation which is engaged in the distribution and sale of water in the municipality.

The complaint alleges in effect that prior to February, 1921, all consumers were supplied and charged on a flat rate schedule, and that since that date 65 per cent. of the consumers have been changed to a meter rate, causing excessive charges for the service rendered and a general decrease in the use of water. As a result of these conditions, it is alleged, lawns and gardens have been abandoned, unsanitary conditions prevail,

and private water systems have been installed by many of the consumers, with a consequent loss in revenue to the utility, which if continued will result in greater charges to the remaining consumers. The present schedule of meter rates is declared to be discriminatory, unreasonable and excessive, and it is contended that the utility, through the operation of the present meter and flat rate schedule, has earned a net revenue which produces a return of more than eight per cent. upon the capital invested. The Commission is therefore asked to establish a schedule of reasonable meter rates and to readjust the schedule of flat rates, and to grant such other and further relief as conditions may warrant.

The Manteca Water Works in its answer makes a general denial of the allegations contained in the complaint.

A public hearing in this proceeding was held at Manteca September 24, 1924, after all interested parties had been duly notified and given an opportunity to appear and be heard.

The utility has been before the Commission in a number of previous proceedings, the most recent ones being an application wherein the present rates were established on February 21, 1921; and an application on the part of the City of Manteca for the fixing of the just compensation to be paid for the water system owned by defendant, which was decided March 2, 1923. Subsequent to the determination of just compensation to be paid for the property of Manteca Water Works, the City did not proceed with the purchase, and the defendant herein has continued to operate the plant.

The rates at present in effect are as follows:

MONTHLY METER RATES

Readiness-to-Serve Charge, to apply on all metered services:

5/8 and 3/4 inch meters.	\$0.50
1 inch meter.75
1 1/2 " "	1.00
2 " "	1.50
4 " "	4.00

Quantity Charges:

From 0 to 500 cubic feet, per 100 cubic feet. . .	\$0.30
From 500 to 3000 " " " 100 " "25
Over 3000 " " " 100 " "20
For street sprinkling and sewer flushing, per 100 c.f.	.15

(Quantity charges herein provided shall be in addition to the readiness-to-serve charges.)

Metered rates will take the following deductions when water is used in the quantities indicated below:

From 100,000 to 200,000 cubic feet	15 per cent.
From 200,000 to 300,000 " "	20 " "
From 300,000 to 500,000 " "	25 " "

MONTHLY FLAT RATES

Minimum \$1.50

(Additional charges are made according to the facilities installed and classification of premises.)

This water system consists of three wells which are pumped by two automatically controlled, electrically driven pumps, and a third pump operated by an oil engine. The total installation is 115 horse power, which gives ample reserve capacity to provide for peak demands and for fire protection service. Water pumped from the wells is elevated to a 50,000 gallon storage tank on an 80 foot steel tower, from which it is distributed to approximately 410 consumers through 8.6 miles of distribution mains of adequate capacity to render efficient service to the community. Fire protection is had by the City through 22 fire hydrants attached to large capacity mains. Of the total number of consumers served, approximately 56 per cent. are metered.

John Spencer, one of the Commission's hydraulic engineers, submitted a report at the hearing which contained a detailed appraisal showing an estimated original cost of the water system amounting to \$66,035, and a depreciation annuity computed by the six per cent. sinking fund method of \$1,131. This

report also showed an estimate of reasonable maintenance and operation expense for the immediate future amounting to \$7,135 per annum, which was \$3,200 less than that reported by the utility in its annual report to the Commission for the year 1923. This difference is largely accounted for through the elimination by the Commission's engineer of certain salaries of general officers.

If the reductions recommended by the engineer were applied to the 1923 operations of the company, the result would be as follows:

Revenues.	\$13,171
Expenses:	
Maintenance and operation	\$7,135
Depreciation annuity.	<u>1,131</u>
Total Expense	<u>8,266</u>
Available for return upon the investment.	\$4,905

After applying the recommended reductions the net return on the investment of \$66,035, is 7.4 per cent., which return cannot be considered excessive. Based upon operating expense as shown in the company's annual report to the Commission for the year 1923, the rate of return would be 0.9 per cent. upon an investment of \$66,035.

Several consumers of the utility testified to the disparity between the bills computed in accordance with the flat rate schedule and the charges now made under metered rates. It was maintained that the latter charges were excessive and much greater than former bills for flat rate service. It was asserted that should the Commission grant no relief, consumers would be compelled to drill wells, install private water systems, and discontinue entirely the utility service. Such action has been taken by about 15 former consumers subsequent to the change from a flat

to a metered schedule. The claim was made that the continued installation of private water plants would result in a material reduction in the utility's revenues and have a detrimental effect upon the entire community.

Bills for metered service were introduced which indicated a use of from 600 to 1500 gallons of water per day per consumer for an average family residence, with lawn and garden. These figures show clearly that water has been used freely if not extravagantly. It is evident, if water is used so freely under a schedule of metered rates, that the use would be even more extensive and extravagant under a flat rate schedule, and when the earnings for the different classes of service are analyzed it becomes evident that the flat rate schedule should be adjusted to conform more nearly with the quantity of water used.

Defendant declared its intention to continue the metering of the system, and it is apparent that this work should be completed as soon as the finances of the utility will permit, as only then will the most economical operation of the system be possible. Wasteful and extravagant use of water will be reduced, the bills for service rendered will gradually decrease, and charges for service will become more uniform.

It appears necessary that the rates for measured service be adjusted and that the application of the new rates will so appeal to the consumers that the installation of private water supply systems will be checked. If this result be not attained and should private plants continue to be installed, the time must arrive inevitably when the revenues of the utility will diminish until the system can be operated only at a loss. A number of items of operating expense are fixed regardless of the amount of water pumped, and a material increase in water use will only

slightly increase operating expenses. It is evident that any form of rate which will promote an increase in water use by consumers will promote the best interests of both the utility and its patrons.

Defendant presented evidence tending to show that some units of its plant were used exclusively for fire protection service to the municipality, and that certain requirements had been exacted of it by the City as to this class of service which would justify an increase in the charges therefor of 300 per cent. No complaint is made by the City as to any inadequacy in the fire protection service rendered. The contentions of defendant as to the required increases cannot be accepted but there is justification for some adjustment in charges.

Attention is called to the fact that when the voters of the City of Manteca decided it was undesirable to issue bonds for the purpose of purchasing the plant of Manteca Water Works, that company was left with the obligation to continue the furnishing of adequate water service to the inhabitants of the City; and the citizens upon the other hand accepted the implied obligation of paying reasonable charges for the service rendered. A water system is necessary to the welfare of a community and if not publicly owned the utility furnishing the service must be reasonably compensated. Should the revenues of the utility be allowed to diminish through the establishment of private water plants, which perhaps cannot be operated as cheaply, when all elements of cost are considered, as water can be purchased from the utility, it is evident that adequate service for domestic or fire protection purposes cannot be maintained and the welfare of the entire community will be affected adversely.

At the present time there is no way of determining how

much water is delivered into the system, and at the first favorable opportunity measuring devices should be installed so that the quantity of water pumped may be ascertained.

The following form of order is submitted:

O R D E R

City of Manteca, a municipal corporation, having made formal complaint as outlined in the preceding opinion, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully informed in the premises,

It Is Hereby Found as a Fact that the rates now charged by Manteca Water Works, a corporation, for service rendered to consumers in the City of Manteca, are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service.

Basing the order upon the foregoing finding of fact and upon the statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Manteca Water Works, a corporation, be and it is hereby authorized to file with this Commission on or before October 31st the following schedule of rates to be charged for all service rendered subsequent to October 31, 1924:

FLAT RATE SCHEDULE

	<u>Per Month</u>
1. Residences, boarding and/or lodging houses, apartments, flats, of five rooms or less	\$1.25
For each additional room10
Additional for each bath tub25
Additional for each toilet25
Additional for each private garage with one automobile20
Additional for each automobile over one.	.10
Additional for private barn and one horse or cow20
Additional for each animal over one. . .	.10

Per Month

- 2. (a) Irrigation of lawns, shrubbery, gardens, etc., either public or private, when taken continuously throughout year, per square yard \$0.005
- (b) Irrigation as in 2 (a) when not taken continuously throughout the year, per square yard007
- 3. For blacksmith, machine, wagon or repair shops, warehouses, drug and grocery stores, banks, billiard parlors. 2.00
- 4. Photographic studios, restaurants, large stores, ice cream parlors and soft drink establishments 2.50
- 5. Professional offices, fraternal halls, club rooms, churches, small shops and stores, soda fountains in connection with other business 1.50
- 6. Barber shops, one chair. 1.50
For each additional chair.75
- 7. Livery or feed yards, per average number of head of stock.25
For private barns in connection with stores, shops, etc., per animal.20
For private garages in connection with stores, shops, etc., for each car or truck.20
- 8. Additional for each bath tub, toilet or urinal in Nos. 3 to 7 inclusive25
- 9. Fire hydrant, Corey or Greenberg type, each. . 3.00
" " wharf type 2.50
- 10. Minimum charge for each service connection . . 1.25

MEASURED RATE SCHEDULE

Monthly Minimum Charges

5/8 inch meter	\$1.50
3/4 " "	2.00
1 " "	3.00
1 1/2 " "	6.00
2 " "	9.00
3 " "	18.00
4 " "	28.00

Each of the foregoing monthly minimum charges shall entitle the consumer to the quantity of water which that amount of money will purchase at the following "monthly meter rates."

Monthly Quantity Charges

From 0 to 500 cubic feet, per 100 cubic feet.	\$0.30
From 500 to 3000 " " " 100 " "	0.25
From 3000 to 100,000 " " " 100 " "	0.20
Over 100,000 " " " 100 " "	0.15

Municipal uses for street and sewer maintenance at regular meter rates. Only one minimum will be applied.

The effective date of this order is hereby fixed as October 31, 1924.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24th day of October, 1924.

C. Seavey
H. A. Burdick
Dwight Martin

Commissioners.