

ORIGINAL

Decision No. 13909

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
the PLYMOUTH WATER COMPANY, a cor-
poration, for permission to adjust
the meter rates.

Application No. 13909.

H.C. Randolph, for Applicant.
Wm. G. Snyder, for City of Plymouth
and Consumers.
G. Ross et al., for Board of Trustees,
Plymouth.
J. Vanderpool, for Citizens Committee.

BY THE COMMISSION:

O P I N I O N

By this application, Plymouth Water Company, a corpora-
tion, supplying water for domestic purposes to residents of
Plymouth, Amador County, asks for an adjustment of its rates for
such service. The applicant alleges in effect that the existing
meter rates are non-compensatory in that they do not meet the
reasonable maintenance and operating expenses and fail to yield
an adequate return on the investment.

A public hearing in this matter was held before Examiner
Vaughan at Plymouth after all interested parties had been notified
and given an opportunity to appear and be heard, and the matter
was duly submitted and is now ready for decision.

The existing rates were fixed in Application No. 13029,
Decision No. 17768, December 17, 1926, to which reference is hereby
made for a history and description of this system.

These rates are as follows:

METER RATES

Minimum Monthly Charges:

5/8-inch meter-----	\$2.00
3/4-inch meter-----	2.25
1-inch meter-----	3.00
1 1/2-inch meter-----	5.00
2-inch meter-----	7.50

Each of the foregoing "minimum monthly charges" will entitle the consumer to the quantity of water which that minimum charge will purchase at the following monthly quantity rates:

Monthly Quantity Rates:

600 cubic feet, or less-----	\$2.00
600 to 1500 cubic feet, per 100 cubic feet--	.25
1500 to 2500 cubic feet, per 100 cubic feet--	.20
2500 to 5000 cubic feet, per 100 cubic feet--	.15
Over 5000 cubic feet, per 100 cubic feet--	.13

FIRE HYDRANTS on mains 4 inches in diameter or larger, per month-----\$1.75

FIRE HYDRANTS on mains less than 4 inches in diameter, per month-----\$1.25

All water for street and road sprinkling purposes, per 100 cubic feet-----\$.15

At the hearing, a report was presented by R.E. Savage, one of the Commission's engineers, in which the estimated original cost of the system, as of August 31, 1927, is shown to be \$26,818. with a corresponding depreciation annuity of \$564., computed by the 5% sinking fund method. This appraisal is based upon the value of the property amounting to \$25,966., as of July 31, 1926, established by the Commission for rate base used in its Decision No. 17768, above referred to, to which net additions and betterments are added. This sum was satisfactory to all interested parties and is accepted as the reasonable rate base for this proceeding.

The above report, together with that submitted in the prior proceeding by the Commission's engineer, contains analyses of the company's revenues and maintenance and operation expenses. These figures are given in the following tabulation, together with the resulting return on the corresponding rate base.

<u>Year</u>	<u>Total Revenue</u>	<u>Maintenance and Operation Expense, Inc. Depreciation</u>	<u>Available for Return</u>	<u>Rate Base</u>	<u>Return on Investment</u>
1925	\$3,336.	\$2,785.	\$551.	\$25,966.	2.12%
1926	\$3,159.	\$3,001.	\$158.	\$25,966.	0.61%

The annual operating expenses allowed by this Commission in establishing the rates now in effect were \$2,600. and, as the evidence indicates that this amount is almost identical with the actual expenditures, the same allowance is considered fair and reasonable for the purposes of the present proceeding. The existing rate schedule went into effect on January 1, 1927, and a study of the resulting revenue shows that the sum of \$2,218. was received from the period January to August, 1927, inclusive. It is reasonable to assume, therefore that approximately \$3,300. will result from the operation during 1927, which amount will leave little, if anything, by way of net return upon the investment for 1927.

Under normal conditions, the application of a metered schedule on a system where consumers have been long accustomed to flat rates results in a temporary drop in water use and revenue. Although the existing rate schedule has not been in effect for a sufficient length of time to definitely determine its ultimate yield, yet the investigation of the affairs of the Plymouth Water Company and the studies of local conditions made by the Commission's engineering staff for the several years last

past conclusively show that the principal reason for the continued falling-off of revenue is caused by the gradual decline in population with the accompanying loss of consumers. Applicant, however, introduced some testimony based upon the expense of operation and submitted figures showing the proportion of consumers who consume less water than the present minimum 600 cubic feet, to which is attributed the present difficulty.

Although the rates established by the Commission were reasonable under the conditions then obtaining, a careful review of all the testimony shows a steady decline in the number of consumers served, together with a corresponding decrease in revenue. The present rates have been adjusted to some extent and will, it is believed, result in producing slightly increased revenues and at the same time will not place an undue burden on the consumers. If, however, the number of consumers continues to decrease, higher charges cannot reasonably be expected, for the rates of this utility as established herein are not far below the point where further increase will result in a rate greater than the service is reasonably worth. The rates established in the following order should provide revenues sufficient to pay operating costs, including depreciation, and a small return upon the investment. However, as pointed out by this Commission, this system was originally designed to serve a far greater population than actually now supplied with water and is, therefore, to that extent over-built. Under such conditions, a full return cannot reasonably be expected.

Considerable benefit accrues to the community from the ample fire protection provided by the facilities of this utility. It is reasonable, therefore, that a portion of the increased revenues should be provided by the municipality for this service.

O R D E R

Plymouth Water Company, a corporation, having made application to the Railroad Commission as above numbered and entitled, a public hearing having been held thereon, and the matter having been duly submitted and being now ready for decision,

It is hereby found as a fact that the rates now charged by Plymouth Water Company, a corporation, 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 to be charged for the service rendered.

Basing its order on the foregoing findings of fact and on the further statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Plymouth Water Company, a corporation, be and it is hereby authorized and directed to file with this Commission, within twenty (20) days from the date of this order, the following schedule of rates to be charged for all service rendered to consumers on and after October 31, 1927:

METER RATES

Minimum Monthly Charges:

5/8-inch meter-----	\$2.25
3/4-inch meter-----	2.50
1-inch meter-----	3.00
1 1/4-inch meter-----	5.00
2-inch meter-----	7.50

Each of the foregoing "Minimum Monthly Charges" will entitle the consumer to the quantity of water which that minimum charge will purchase at the following monthly quantity rates:

Monthly Quantity Rates:

400 cubic feet, or less-----	\$2.25
Next 1600 cubic feet, per 100 cubic feet-----	.25
over 2000 cubic feet, per 100 cubic feet-----	.15

FIRE HYDRANTS on mains 4 inches in diameter or larger, per month-----\$2.50

FIRE HYDRANTS on mains less than 4 inches in diameter, per month-----\$2.00

All water for street and road sprinkling purposes, per 100 cubic feet-----\$.15

For all other purposes the effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 17th day of October, 1927.

Ernest Scott
W. A. Seaman
Leon Whitell
David R. Smith
W. A. Carr
Commissioners.