

ORIGINAL

Decision No. 25742

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
JACKSON WATER WORKS for an adjustment  
of rates for the furnishing of water  
service.

Application No. 15564.

Phillip J. Noerager, for Applicant.

A.L. Pierovich, City Attorney,  
for City of Jackson.

BY THE COMMISSION:

O P I N I O N

In this proceeding, Grace B. De Fue, operating a utility under the fictitious firm name of "Jackson Water Works," asks the Commission for an adjustment of the present rates for water service in the incorporated town of Jackson, Amador County.

The application alleges that the distribution pipe system has recently been largely rebuilt by reason of the city changing its street grades; that the distribution system has been completely metered and a chlorination plant installed, and that the resulting increase in applicant's investment in the plant has rendered the present schedule of rates non-compensatory and inadequate to yield revenue required to meet the necessary operating expenses and provide a fair interest return on the investment.

A public hearing in this matter was held at Jackson

before Examiner Satterwhite.

The original water system supplying the town of Jackson was installed about 1850 and obtained its water from springs, which supply eventually was abandoned in favor of water from a ditch owned by the Pacific Gas and Electric Company purchased at the wholesale rate of 20 cents per miner's inch day, which rate is still in effect.

The system as at present installed consists of two wood-stave storage and regulating tanks, each of about 43,000 gallons capacity, located immediately below the supply ditch at an elevation above the town which provides good pressures for gravity service. The water is delivered from the ditch through a wooden flume and measuring box to the tanks and from thence into the transmission and distribution mains, amounting to approximately 30,200 lineal feet ranging in diameter from 11 inches to 2 inches. The water is chlorinated by a small Wallace-Tiernan plant situated at the tank outlets. In 1928, the average number of consumers served was 470.

Detailed appraisals of the physical properties of this utility were submitted by John Spencer, consulting engineer for applicant, and R.E. Savage and M.W. Boright, engineers of the Commission. The summary of these appraisals as compiled for the purpose of comparison is given as follows:

SUMMARY OF APPRAISALS

Items	:By R.E. Savage : : and : : M.W. Boright: By John Spencer : : Estimated : : Original Cost : Estimated Cost :	Estimated Cost
Organization	\$ -	\$ 500
Franchise	150	(Inc. in above sum)
Structural properties	45,019	49,534
Office equipment, tools and miscellaneous stock and supplies on hand	1,078	4,588
*Rights of way - 22 easements	735	1,372
Working capital	<u>1,000</u>	<u>1,000</u>
Total	\$47,982	\$56,994
Operating expenses - future	\$ 7,685	\$ 8,973

NOTE: \* Total by Mr. Boright based on estimated cost to reproduce as of July 1, 1929. Total by Mr. Spencer obtained by capitalizing at 7% the annual cost of the free water under present rates delivered as consideration for the easements.

An analysis of the details of the above appraisals and the evidence submitted thereon discloses that the difference in the totals is largely due to the higher unit costs and overhead percentages applied by Mr. Spencer for the distribution system and the higher value given the supplies on hand in the store-room. The evidence shows that a considerable amount of excavation for pipe main trenches was in rock formation, a condition not given sufficient allowance by the Commission's engineer in determining the unit costs of excavation. Proper correction would add approximately \$2,000 to the above total appraisal for this item. The evidence shows that the sum of \$51,000 is a reasonable rate base and \$1,475 a proper depreciation annuity for the

purpose of this proceeding.

The following tabulation gives a comparison of the total annual operating revenues and maintenance and operation expenses for the past five years as compiled from the annual reports of this utility to the Commission:

	1924	1925	1926	1927	1928
Total Operating Revenues	\$10,800.43	\$10,223.70	\$11,055.71	\$11,431.68	\$11,908.12
Total Maintenance and Operating Expenses	6,318.09	5,193.98	5,745.05	5,118.76	4,948.60

Investigation of its books indicates that the company does not segregate its charges to capital account and to maintenance and operation expenses correctly and in accordance with the Uniform Classification of Accounts as prescribed by the Railroad Commission. A large number of items for repairs to the distribution system were improperly charged to capital. The Commission's engineer submitted a tabulation of the corrected and adjusted operating expenses giving a total of \$7,081 for 1927 and for 1928 a total of \$7,360.

The utility has been put to a very substantial expense during the past two years as a result of the extensive paving program in the town of Jackson which necessitated the lowering and replacing of a large part of the distribution system including service connections and meters. Due allowance for these extraordinary costs, amortized over a reasonable period of time, has been made in the operating expenses for such of these costs as are properly chargeable thereto. Analysis of the evidence submitted shows that under present operating conditions the sum of \$7,800 will be a reasonable amount to allow for the annual operation expenses.

The rates at present in effect were established by Decision No. 8172 dated October 1, 1920, and included both flat rate and metered schedules. For the year 1928, the present rates produced a gross revenue of \$11,908, resulting in a net revenue yielding approximately 5.1 per cent return on the rate base of \$51,000.

There has been no material growth in this community during the past ten years. Mining activities upon which the development and prosperity of the town of Jackson largely depend are apparently at a stand-still with no present prospect of increasing activities for the near future. The growth in the number of consumers for the past eight years has been negligible, there having been but 111 new water users since 1920. But slight dependence therefore can be placed on increased revenue from this source. It follows therefore that applicant is entitled to an increased revenue for its water service. Based on the records of the metered use of water for 1927 and 1928, the schedule of rates set out in the following Order has been computed and designed to yield a fair net return upon the rate base established herein.

#### O R D E R

Grace B. De Pue, operating a water system under the fictitious firm name of "Jackson Water Works," having applied to the Railroad Commission for authority to increase the rates charged for water service furnished to consumers in the town of Jackson, Amador County, a public hearing having been held thereon, the matter having been submitted and the Commission now being fully advised in the premises,

It is hereby found as a fact that the rates and charges

of said Grace B. De Pue for water delivered to consumers in Jackson, Amador County, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates and charges herein established are just and reasonable rates to be charged for the service rendered.

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Grace B. De Pue, operating a water system under the fictitious firm name of "Jackson Water Works," be and she is hereby authorized and directed to file with this Commission, within thirty (30) days from the date of this Order, the following schedule of rates to be charged for all water service rendered subsequent to the 31st day of October, 1929.

METER RATES

Monthly Minimum Charges:

For 5/8-inch meter-----	\$1.50
For 3/4-inch meter-----	2.00
For 1-inch meter-----	2.75
For 1 1/2-inch meter-----	3.75
For 2-inch meter-----	5.75

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

Monthly Quantity Rates:

First 600 cubic feet-----	\$1.50
From 600 to 3,000 cubic feet, per 100 cubic feet---	0.18
All over 3,000 cubic feet, per 100 cubic feet---	0.12

MUNICIPAL USE

Fire hydrants, owned by the Company, each per month---	\$1.50
Fire hydrants, owned and installed by the City and maintained by the Company, each per month-----	1.00
All other municipal service charged for at the regular meter rates.	

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IT IS HEREBY FURTHER ORDERED that Grace B. De Pue be

and she is hereby directed to file with the Railroad Commission, within thirty (30) days from the date of this Order, revised rules and regulations governing the distribution of water to her consumers, said rules and regulations to become effective upon their acceptance for filing by this Commission.

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 1st day of November, 1929.

David S. Smith

Edward S. Smith

Leon Whitell

W. J. Goss  
Commissioners.