

ORIGINAL

Decision No. 23835

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Chichizola Estate Company, for authority to increase its rates for public service and distribution of water, at Jackson Gate, Amador County, California.

Application No. 17321.

William G. Snyder, for applicant.  
A.L. Pierovich, for protestants.

STEVENOT, COMMISSIONER:

O P I N I O N

In this proceeding Chichizola Estate Company, which, among other activities, is engaged in the business of serving water for domestic purposes to a small community known as Jackson Gate, located in the vicinity of the City of Jackson, Amador County, asks for authority to increase its rates.

The application alleges that a new reservoir and a completely new distribution system have been recently installed but that the water works are being operated at a loss under the rates now in effect. The Commission is asked to establish a three-dollar minimum meter rate, together with a quantity rate of fifteen cents per 100 cubic feet for the first 2,000 cubic feet of water and seven and one-half cents per 100 cubic feet for quantities in excess thereof.

A public hearing in this proceeding was held at Jackson.

The present rates were established by this Commission in

Decision No. 12005, dated May 2, 1923, and are in part as follows:

Monthly Meter Rates:

0 to 2,000 cubic feet, per 100 cubic feet-----\$0.10  
Over 2,000 cubic feet, per 100 cubic feet----- 0.05

Monthly Minimum Meter Rates:

For 5/8-inch by 3/4-inch meter-----\$2.00

Monthly Flat Rates:

The monthly flat rate for each dwelling or building, except as hereinafter otherwise provided, shall be-----\$2.00

The water supply of this utility is obtained by purchase from the ditch system of the Pacific Gas and Electric Company and is delivered into a 50,000-gallon concrete-lined regulating reservoir, from which the water is distributed by gravity to the consumers through approximately 5,600 feet of four and six-inch pipe. At present there are thirty-four consumers served and all the premises are metered with the exception of a blacksmith shop owned by applicant, for which a flat rate charge of ten dollars per year is made.

At the hearing testimony was presented on behalf of applicant to the effect that the existing water facilities were installed in 1929 at a cost of \$7,876; that the 1930 annual maintenance and operating expenses totaled \$1,081, including an allowance of \$388 for depreciation; and that the 1930 annual revenues totaled \$972. The results of operation for the year 1930, according to the company's statements, showed a net loss of \$109.

A report was presented by Wm. Stava, one of the Com-

mission's hydraulic engineers, covering appraised value of the system, together with an analysis of the operating costs. This report showed that the actual cost of the system, \$7,876, was a reasonable expenditure for the facilities installed, to which should be added \$264 to cover the cost of meters reconnected to the new pipe lines. The testimony of the Commission's engineer indicated that the operating costs as submitted by the utility were somewhat higher on a cost-per-consumer basis than such expenses as usually incurred by similarly operated water systems. It furthermore appears that the allowance for depreciation presented by applicant and computed on a straight line basis was unnecessarily high. The depreciation based upon the sinking fund method at five per cent amounted to \$198, which appears to be a more reasonable allowance for this item. The results of operation for 1930, based on the corrected depreciation allowance and actual 1930 operating expenses, are as follows:

Fixed Capital-----	\$8,098
Operating Revenue-----	972
Operating Expenses, including depreciation-----	<u>891</u>
Net Operating Revenue-----	\$ 81
Per Cent Return on Fixed Capital-----	1.04%

Certain consumers objected to the operating expenses presented in behalf of applicant upon the grounds that a section of the pipe line installed at the lower levels of the system was of such poor quality that it leaked badly and necessitated frequent repairs, and that furthermore the charges made by T.A. Chichizola for management and supervision were excessive

in view of the actual time devoted by him to such work. The evidence shows that the pipe installed at the lower portion of the territory served was not of sufficient thickness to withstand the pressures to which it was subjected, requiring replacement after a considerable amount of time had been spent in attempting repairs. During this period a large amount of water was wasted that otherwise might have returned revenue to the utility. The extraordinary nature of these expenses will be given their proper consideration in connection with the reasonable and proper operating expenses. The evidence shows that the charges listed under the name of T.A. Chichizola for management and supervision included in addition to the personal services of said Chichizola the costs of bookkeeping, office rent and expenses, costs of collections, automobile and other general and miscellaneous costs, which under the circumstances are not unreasonably excessive at this time.

Considerable controversy arose as to the actual use to which the so-called blacksmith shop service was put and the quantity of water used through this source. The evidence presented thereon is uncertain and conflicting. In view of this situation, the simplest solution to the problem is to place a meter upon this particular service and thereby eliminate any further cause of dispute about the matter. The utility therefore is hereby directed to install a meter upon the service pipe supplying said blacksmith shop and to charge for all water used thereby at the regularly established rates.

Testimony was presented to the effect that during the past a very large quantity of purchased water has been wasted through leakage and through flat rate services. The evidence

does show that before replacement of defective pipe in the lower part of the system considerable water was lost and that furthermore from time to time water is spilled from the reservoir overflow. The former cause of waste has now been reduced to a reasonable minimum while operating conditions make it very difficult to wholly eliminate the occasional overflowing of the reservoir without risking the danger of having insufficient water on hand to meet consumer demands. Under present operating practices, it is apparent that the actual unaccounted-for water losses will not amount to any large item of expense.

A consideration of the evidence shows clearly that, while applicant by no means is reasonably entitled to have the present minimum charge of two dollars per month increased to three dollars as requested, yet it is fair and proper that the utility be granted an increased revenue which under the circumstances may be accomplished best through a change in the quantity rates for water, permitting the base monthly minimum charge to remain as heretofore established. Accordingly the rate schedule set out in the following Order should produce a sufficiently increased revenue to yield a fair return upon the capital invested in plant and equipment while at the same time not being in excess of the rates charged by other utilities rendering a similar class of service under substantially comparable rural conditions in other foothill areas.

The following form of Order is recommended.

O R D E R

Chichizola Estate Company, a corporation, having applied for authority to increase its rates, a public hearing having been

held thereon, the matter having been submitted and the Commission being nowfully advised in the premises,

IT IS HEREBY ORDERED that Chichizola Estate Company be and it 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 to its consumers at Jackson Gate, Amador County, subsequent to the 30th day of June, 1931:

Monthly Minimum Meter Rates:

For 5/8-inch meter-----	\$2.00
For 3/4-inch meter-----	2.50
For 1-inch meter-----	3.50
For 1 1/2-inch meter-----	5.00
For 2-inch meter-----	7.50

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

Monthly Quantity Rates:

0 to 1,000 cubic feet, per 100 cubic feet-----	\$2.00
Next 1,000 cubic feet, per 100 cubic feet-----	.15
Over 2,000 cubic feet, per 100 cubic feet-----	.10

For all other purposes, the effective date of this Order shall be twenty (20) days from the date hereof.

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 29<sup>th</sup> day of June, 1931.

Clarence  
Leon White  
W. H. Cunn  
W. E. Harper  
Fred G. Stewart  
 Commissioners.