

Decision No. 24414

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 THE RATTERREE BROTHERS COMPANY, 400  
 Walbridge Boulevard, San Francisco,  
 Calif., for an increase in water  
 rates charged consumers in subdivi-  
 sion known as Subdivision No. 1,  
 Schwerin Addition, Visitacion Valley,  
 San Mateo County, as recorded in the  
 office of the County Recorder of said  
 County, October 5, 1908, in Volume 6  
 at page 42.

ORIGINAL

Application No. 17685.

J.M. Ratterree and F.J. Obrine,  
 for Applicant.  
 Sullivan & Thomas, by C.C. Sullivan,  
 for Margaret Sullivan and certain  
 other protestants.

BY THE COMMISSION:

O P I N I O N

In this proceeding The Ratterree Brothers Company, a corporation which owns and operates a public utility water system supplying water for domestic purposes in Subdivision No. 1, Schwerin Addition, located in Visitacion Valley, San Mateo County, makes application for an increase in rates.

The application alleges that the revenues obtained from the rates at present in effect for a number of years last past have been insufficient to meet the bare operating expenses of the plant; that the operating deficit for the past six years has averaged somewhat in excess of eighteen hundred dollars annually; and, further, that when the system was first installed in 1923 meters were placed

on the services but were frequently broken and otherwise tampered with by consumers with a result that during the latter part of 1926 it became necessary to remove all meters and deliver water upon a flat rate basis of two dollars (\$2.00) per month. Applicant further alleges that it has not available the funds necessary to reinstall and maintain the meters to reduce the waste of water which the company must purchase at metered rates. Wherefore, the Commission is requested to authorize a flat rate charge of four dollars (\$4.00) per consumer per month.

A public hearing was held in this matter before Examiner Johnson at San Francisco.

From the evidence it appears that the original distribution mains were practically all replaced with larger sized mains in 1928 by reason of inadequacy and also because of local paving operations and other street improvement work. The system now consists of about 18,000 lineal feet of mains, largely 4-inch and 2-inch pipe. The entire water supply is purchased from the City of San Francisco through two 2-inch meters on the Spring Valley 54-inch transmission main. The system at present is unmetered and supplies 132 active consumers.

H.A. Noble, one of the Commission's hydraulic engineers, appraised this water works upon the basis of historical cost at \$8,787 and estimated the depreciation annuity to be \$132, computed by the five per cent sinking fund method. No appraisement was submitted by applicant.

The following tabulation compiled from the annual reports of this utility to the Commission gives a comparison for the past four years of the annual maintenance and operation expenses and

revenues:

I T E M S	1927	1928	1929	1930
<u>MAINTENANCE &amp; OPERATION EXPENSES:</u>				
Water supply purchased from San Francisco	\$1,648.88	\$2,712.08	\$2,808.05	\$3,061.06
Repairs to distribution system	191.21	-	-	-
Collection expenses	45.17	53.50	-	-
General expense (salaries)	1,550.00	1,500.00	1,500.00	1,500.00
Taxes (State Corporation Tax)	25.00	25.00	25.00	25.00
Depreciation - 2 per cent straight line on \$13,000	260.00	260.00	260.00	260.00
<b>Total Operating Expenses</b>	<b>\$3,720.26</b>	<b>\$4,550.58</b>	<b>\$4,593.05</b>	<b>\$4,846.06</b>
<u>REVENUES:</u>				
Operating revenues	\$1,803.84	\$2,340.32	\$2,505.55	\$2,657.05
Apparent Deficit	\$1,916.42	\$2,210.26	\$2,087.50	\$2,189.01

The present rates of this utility were established by the Commission in July of 1924 upon the basis of an increase of twenty-five per cent over and above the rates charged by the then Spring Valley Water Company with a monthly minimum of two dollars (\$2.00) per consumer. Following is set forth a comparison of the Spring Valley rates and applicant's authorized metered rates:

	Spring Valley	Katterree Bros.
	Metered Rates	Metered Rates
Service Charge - 5/8" meter per month	\$0.78	\$0.975
Service Charge - 2" meter per month	5.40	-
<u>For Water Delivered:</u>		
For the first 3,300 cubic feet, per 100 cubic feet	.288	.36
For the next 30,000 cubic feet, per 100 cubic feet	.252	.32
For all over 33,300 cubic feet, per 100 cubic feet	.216	.27
Monthly minimum per consumer	-	2.00

The two-dollar minimum monthly charge in The Patterree Brothers' metered rate schedule allows the consumers the service charge of \$.975 plus \$1.025 in water delivered at 36 cents per 100 cubic feet, equivalent to a minimum allowance of 285 cubic feet per month.

The water use on this system for the past five years is shown in the following table in which the monthly use per consumer as indicated is the average computed for the year based on the quantity of water purchased without allowance for system losses:

: Year :	: Number of Consumers :	: Water Purchased by Utility Cubic Feet :	: Average Monthly Use per Consumer Cubic Feet :
1926	86	460,000	445
1927	96	657,600	570
1928	135	1,122,400	692
1929	139	1,095,200	657
1930	140	1,306,800	777

The above water was used entirely for domestic purposes in small residences with incidental lawn and garden irrigation, and, in comparison with the average amount of water required by the consumers receiving water from other utilities of similar character in the same general vicinity, reveals a rather excessive water consumption.

The two-dollar minimum charge upon a metered basis would have allowed each consumer 285 cubic feet of water per month, whereas the actual quantity of water delivered during the past four years has been approximately two and three-quarters times this amount. Had this system been fully metered and the consumers charged for all water in excess of the minimum at the metered rates in effect, the revenues of this utility would have been substantially increased during the period. The testimony shows that with an allowance of

fifteen per cent for system losses and unaccounted-for water the gross revenues under the meter rates would have been approximately \$5,800 during 1930, compared with the flat rate receipts of \$2,657.05, and would have yielded operating expenses, depreciation and also a reasonable profit for the year. A decrease in consumption because of metered service would have reflected a corresponding decrease in the total cost of purchased water.

There can be no doubt that it is highly inefficient water-works' practice for applicant to attempt to purchase water under a comparatively high measured rate and retail such water to its consumers at flat rates. It is neither fair nor reasonable to expect the consumers to suffer for this inefficiency when analysis of the operating costs and methods clearly indicates that the affairs of this utility can be conducted at a fair profit if service is placed upon a completely metered basis. This company already has on hand in good condition eighty meters and concrete meter boxes which should be put back in service at once and additional meters installed from time to time as rapidly as applicant's finances will permit. While it is regrettable that in the past many meters apparently have been damaged by parties unknown, we feel certain that more extended efforts upon the part of both company and consumers to cooperate with each other and to recognize both the utility's and the water users' side of the service problems peculiar to this community will eliminate any further deliberate damaging of meters and meter boxes.

The evidence presented by applicant in this proceeding does not warrant or justify the granting of an increased flat rate from two dollars to four dollars. On the other hand, the record does make it reasonably certain that the present meter rate will

produce adequate revenues if the system is again placed upon a measured basis, which can be done without the expenditure of any large or unreasonable sum of money. The application therefore will be denied.

O R D E R

The Ratterree Brothers Company, a corporation, having made application as entitled above for an order authorizing a flat rate of four dollars (\$4.00) per consumer per month instead of the two-dollar (\$2.00) minimum metered rate at present charged consumers, a public hearing having been held thereon and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that the above entitled application be and the same is hereby denied.

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 25<sup>th</sup> day of January, 1932.

C. C. Sawyer  
Leon Whitwell  
W. A. Lee  
W. B. Lewis  
Fred G. Stewart  
Commissioners.