MPM/GEH

ORIGINAL

Decision No. 24649

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the investigation on the Commission's own motion into the rates, charges, contracts, rules, regulations, classifications, operations, practices, services, or any of them, of Victor Water Works, a corporation, engaged in the sale and distribution of water in and in the vicinity of the Town of Victor, County of San Joaquin, State of California.	Case No. 3191.

J.P. Liebig, for consumers.
E.J. Mettler, for defendant.

BY THE COMMISSION:

O P I N I O N

This proceeding was instituted by the Commission on its own motion for the purpose of investigating the rates charged by the Victor Water Works, a corporation, for water supplied to consumers in the Town of Victor, San Joaquin County, California.

A public hearing was held in this matter before Examiner Satterwhite at Lodi.

This water system was installed in 1921 for the purpose of furnishing water to eight fruit-packing plants, one store and one apartment house, and was operated as a mutual water company until May, 1929. Stock of the mutual water company was issued to each consumer and the expenses of operation were assessed against the stockholders. Application was filed by the Victor Water Works for a certificate of public convenience and necessity which was

granted in Decision No. 21906, dated the sixteenth day of December, 1929, together with the authorization for the establishment of a revised schedule of flat and meter rates. On June 17, 1931, a modification of the established monthly quantity meter rates was accepted and filed by the Commission. These rates, which are still in effect, are as follows:

FLAT RATES

Domestic and industrial service----------$3.00 per month

METER RATES

Monthly Minimum Charges:

5/8 x 3/4-inch meter	$3.00
1-inch meter	4.00
1½-inch meter	5.00
2-inch meter	7.00

Each of the foregoing "Monthly Minimum Charges" 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:

First	2,000 cubic feet	.15¢ per hundred cubic feet
Second	2,000 cubic feet	.10¢ per hundred cubic feet
All over	4,000 cubic feet	.05¢ per hundred cubic feet

No service charged for on the flat rates shall be for less than one month and each customer who may use the service for any part of a month shall be charged for the full month.

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The water supply for the system is obtained by pumping from an 18-inch well into a 20,000-gallon redwood tank set on a 50-foot tower, from which delivery is made by gravity through approximately 5,000 feet of pipe ranging in size from four to one and a half inches in diameter. The system was not fully metered at the time of the hearing but the manager of the utility stated that he intended to

have meters installed on all domestic services by March 1, 1932. There are forty service connections attached to the distribution mains, of which thirty-five are active. Seven of these connections supply packing-sheds which use water only for approximately two months of the year but nevertheless have paid the regular rate each month. These packing-sheds, however, receive the benefit of the excellent fire protection facilities afforded by the plant, for which no direct contribution is made. There is a total of nine 3-inch fire hydrants attached to the mains which produce no revenue as the community is neither incorporated nor included within any fire district. The residents and owners of property in Victor nevertheless have been materially benefited by the reduced fire insurance rates put into effect in this area as a result of the protection afforded by the fire hydrants and other facilities of the company.

At the hearing consumers contended that the existing rates are excessive and asked that the following schedule of charges be established by the Commission:

METER RATES

Minimum rate----------$1.00 per month

First 1,000 cubic feet, per 100 cubic feet-- 0.10
All over 1,000 cubic feet, per 100 cubic feet-- 0.07

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A report submitted by D.H. Harroun, one of the Commission's engineers, based upon a former appraisal of this water system made by him as of November 1, 1929, submitted in connection with Application No. 16053, sets forth the estimated original cost of the property as $7,370 and the corresponding depreciation annuity as $215 computed by the five per cent sinking fund method. Subsequent

to the date of the above valuation, there has been expended $428 for additions and betterments, principally for new meters. These additions to capital result in a present investment of $7,798 and a depreciation annuity of $228.

The report showed that the 1931 operating revenues totaled $1,281 and the operating expenses as set out in the company's accounts, including an allowance of $215 for depreciation, totaled $1,194, resulting in a net operating revenue of $87 which is equivalent to a return of 1.2 per cent on the estimated investment of $7,370. There is no doubt whatsoever that the expenses as set up in the company's books are unreasonably excessive for the class of service rendered and the size and population of the community served. The operation and maintenance expenses show a yearly cost of $34.10 per consumer, which is far greater than any of such charges on any other fairly comparable utility water plant and substantially in excess of such costs incurred by even the most complicated pumping systems. The largest items of expense allocated to the year 1931 are: Manager, $150; labor, $194.98; and power, $417.54. Analysis of these items and the evidence presented in connection therewith shows that the fixed overhead charges for management and supervision are unnecessarily large. On a system serving but thirty-five users it is clearly unreasonable to expect the consumers to support a non-resident general manager and a local superintendent as well. The testimony showed that the local operator collected the accounts, operated the pumping plant and made general repairs, using outside labor from time to time when the conditions warranted special work or extensive new construction work. The duties of the general manager were obscure and indefinite and in all events not worth any substantial portion of the one hundred and fifty dollars per year

allocated to and charged to this account. The pump, motor and storage tank are all larger in capacity than necessary for normal operation in such a community and were intentionally so designed for the express purpose of furnishing ample fire protection to the buildings occupied by the fruit and produce packers. The pump is of the eight-stage turbine type driven by a 15-horsepower motor, the complete installation costing $1,150, while the tank located upon a very tall tower has a capacity of 20,000 gallons and was erected at a total expenditure of $2,691. It is clear that the burden of maintaining and operating these overbuilt features of the plant should not be wholly chargeable against the domestic water users but should to a greater degree than is reflected in the present rates be assessed against the industrial enterprises for whose protection and benefit the extra capital expenditures originally were incurred. Further inspection reveals the fact that several of the entries under operating expenses were for matters which would not recur annually and should therefore more properly be spread over a period of years. These items include such costs as were incurred for legal and Railroad Commission expense and also for the initial setting up and installing of a system of books and accounting. It furthermore appears that the bills for power consumed for pumping purposes are far greater than normally would be expected for a system so limited in extent and supplying such a small number of consumers. This indicates either an excessive leakage of water or a very extravagant or wasteful use thereof on the part of some of the consumers. The installation of meters and the charging for service under a measured rate will eliminate carelessness in the use of water by consumers, should the cause be from this source. The service under a measured rate, while

perhaps adding slightly to the costs of billing and repairs, will result, however, in a substantial reduction in the amount of water pumped, correspondingly reflected in the power consumed.

A consideration of the evidence presented in this matter indicates clearly that the domestic consumers are entitled to a substantial reduction in the present rates. Under the peculiar circumstances existing on this system at present there should be no necessity for the installation of meters on the services supplying the various fruit and produce packing-sheds. In view of this situation and the further fact that these industrial enterprises enjoy a very adequate fire protection service especially installed for their benefit, it appears reasonable that they should pay a flat rate chargeable monthly throughout the year which will be more nearly equivalent to the benefits afforded by such service from the water company. The existing flat rates for domestic service do not embrace any additional charges for lawn and garden sprinkling and irrigation. As the testimony indicates that a considerable amount of water is used by the consumers during the summer for such purposes, an additional charge will be fixed for this class of demand, based upon the surface area actually irrigated and to be billed only during such months as water is used for these purposes. The flat rates for domestic service shall be chargeable only in those cases where meters are not installed and in operation.

As the record in this proceeding conclusively shows that the present installation is considerably in excess of the requirements for the service of the present consumers and also larger than necessary to adequately supply the territory for a considerable period of time in the future, it is evident that the defendant utility is not entitled to a full return upon the investment as long as

present conditions exist. The rates set out in the following Order more nearly approach those charged in other communities in the general vicinity for a similar class of service and should produce over and above the reasonable costs of operation, maintenance and depreciation a fair return upon the portion of the investment which is reasonably and properly chargeable to the present consumers.

O R D E R

The Railroad Commission of the State of California having instituted the above proceeding on its own motion, a public hearing having been held thereon, the matter having been duly submitted and the Commission now being fully advised in the premises,

It is hereby found as a fact that the rates charged by the Victor Water Works, a corporation, for water delivered to its consumers, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates herein established are just and reasonable rates to be charged for the service rendered, and

Basing this Order upon the foregoing finding of fact and upon the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Victor Water Works, a corporation, be and it is hereby authorized and directed to file with the Commission, within thirty (30) days from the date of this Order, the following schedule of rates to be charged its consumers in the Town of Victor, San Joaquin County, California, for all water delivered subsequent to the 1st day of May, 1932.

FLAT RATES

Packing sheds, per month	$3.50
Stores, per month	2.00
Garages, per month	2.00
Lodging houses, per month	3.00
Schools, per month	4.00
Domestic consumers, per month	1.75
Irrigation of lawns, gardens and grounds, for months actually irrigated, per square yard	0.005

METER RATES

Monthly Minimum Charges:

5/8 x 3/4-inch meter	$1.75
1-inch meter	2.50
1½-inch meter	4.50
2-inch meter	7.00

Each of the foregoing "Monthly Minimum Charges" 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:

First	700 cubic feet, per 100 cubic feet	$0.25
Next	1,300 cubic feet, per 100 cubic feet	0.15
Next	2,000 cubic feet, per 100 cubic feet	0.10
All over	4,000 cubic feet, per 100 cubic feet	0.05

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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 4th day of April, 1932.

C. L. Seavey

Leon O. Whitsell

Wm. J. Carr

M. B. Harris

Fred E. Stewart

Commissioners.