

Decision No. 24482

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
N.M. PETERSEN as owner of the
MOUNTAIN AVENUE WATER CO. of Feters
Springs, Sonoma County, California,
for permission to increase water
rates.

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) Application No. 18292.
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A.R. Grinstead, for Applicant.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

In this proceeding N.M. Petersen, doing business under the fictitious firm name and style of Mountain Avenue Water Company serving water in and in the vicinity of Feters Springs, Sonoma County, applies for permission to increase his rates.

Applicant alleges that the charges now in effect are inadequate and do not produce sufficient revenue to cover operating expenses, annual replacement fund and reasonable interest on invested capital.

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

N.M. Petersen is supplying water to some sixty summer and forty permanent residents in the Agua Caliente Park, Sonoma Highland and Woodleaf Park Subdivisions of Feters Springs. All services are metered. The source of water supply is from two drilled wells equipped with electrically-operated pumps and two

redwood tanks provide a total storage capacity of 29,000 gallons.

The present schedule of rates was fixed by the Commission in its Decision No. 24176, dated November 2, 1931, and is as follows:

FLAT RATE

Annual charge, payable in advance-----\$6.00 per year

All water used to be charged in addition
to above annual payment at meter rates
as set forth below:

METER RATES

Monthly Minimum Charges:

For 5/8 x 3/4-inch meter-----\$0.50
For 1-inch meter----- 1.00

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 250 cubic feet, or less-----\$0.50
Next 1,750 cubic feet, per 100 cubic feet----- .20
Over 2,000 cubic feet, per 100 cubic feet----- .15

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Applicant asks for authority to charge practically the same schedule of rates as is now in effect in the adjoining territory supplied by the Sonoma Water and Irrigation Company, a public utility corporation. This schedule in part provides for a monthly minimum charge of two dollars (\$2.00) for permanent consumers and an annual charge of twelve dollars (\$12.00) entitling the user to water service for six consecutive months with additional use payable at the regular monthly rates.

Reports containing detailed appraisals of the physical properties as of July 1, 1932, and studies of maintenance and op-

erating expenses for the twelve-month period ending July 1, 1932, were presented by M.E. Ready, consulting engineer appearing in behalf of applicant, and by C.F. Mau, one of the Commission's engineers. These reports may be summarized as follows:

	<u>Applicant</u>	<u>Commission</u>
Physical properties, estimated original cost-----	\$10,962	\$10,042
Depreciation annuity-----	209 (6%)	170 (5%)
Revenues-----	1,534	1,534
Expenses, less depreciation-----	1,393	1,066
Net revenue-----	68 *	298
Rate of return-----	-.7%	3%

* Deficit.

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It is apparent from the figures presented above that the operations of this system have not resulted in a reasonable return upon the investment and that applicant is entitled to some readjustment in rates. It is also evident that the present rate structure does not now fully provide equitable charges for the predominant class of demand which is summer resort in character. The present type of rates has resulted in innumerable disputes and controversies between consumers and the owner of the plant. Formerly this system was operated upon a flat rate basis but was metered during the latter part of 1931. The metered schedule established has not produced the increased net revenue anticipated by applicant.

During the progress of the hearing, a large number of consumers complained of poor and inadequate service although the water supply appears to be ample. The difficulty lies in lack of storage facilities and the fact that certain mains are too small in capacity to supply good service at proper pressure during the peak demand of

summer months. If any increased rates are to be authorized, it is only fair that these service problems should be remedied before the commencement of the next summer season. The improvements should embrace the installation of additional storage capacity for the Mountain Avenue section and the replacement of the existing one-and-one-half-inch main on Mountain Avenue, in Agua Caliente Park, by a main of approximately four inches internal diameter. Elimination of existing dead-ends should be provided for through connection of the Buena Vista Avenue line with the main on Hillcrest Avenue as soon as the finances of the utility will permit. This will produce a proper circulation and improve pressure and delivery capacity.

It is evident that the expense which would be required through the installation of the above improvements cannot reasonably be afforded by applicant under existing conditions and in view of the present earnings of this plant. However, it is equally true that the consumers in the areas of poor service should not reasonably be expected to pay increased charges for water under existing service conditions. It therefore appears equitable that an increased schedule of rates be permitted with the understanding that the improvements suggested above be installed and in a proper operating condition, in a manner satisfactory to this Commission, on or before the first day of May, 1933.

By reason of the disputes which have occurred in the past over the proper application of the existing schedule of rates, it is deemed advisable to alter the rate structure to eliminate, in so far as possible, these controversies which have arisen mainly by reason of the fact that a large proportion of the water consumers occupy their premises only occasionally throughout the

year. The schedule set out below should provide a more adequate return and at the same time compares favorably with the charges of similar utilities operating in the same neighborhood.

O R D E R

Application having been made as entitled above, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

It is hereby found as a fact that the present rate schedule of N.M. Petersen, doing business under the fictitious firm name and style of Mountain Avenue Water Company, in so far as it differs from the schedule of rates herein established, is unfair and unreasonable and that the rates herein established are just and reasonable rates to be charged for such service, and

Basing its Order upon the foregoing findings of fact and upon the statements of fact contained in the preceding Opinion,

IT IS HEREBY ORDERED that N.M. Petersen be and he is hereby authorized and directed to file with the Railroad Commission of the State of California, within twenty (20) days from the date of this Order, the following schedule of rates for water delivered to his consumers in Agua Caliente Park Subdivision, Sonoma Highland Subdivision, Woodleaf Park Subdivision and vicinity, Sonoma County, said schedule to become effective as of the 1st

day of January, 1932.

PERMANENT RESIDENT RATES

Applicable to permanent residents who have taken water service for a period of twelve or more consecutive months under the regular monthly schedule as distinguished from the Summer Resort Schedule.

This schedule is also optional with any consumer who will furnish suitable guarantee by deposit or otherwise to cover payment of water service for a period of twelve consecutive months.

Monthly Minimum Charges:

5/8 x 3/4-inch meter-----	\$1.75
3/4-inch meter-----	2.50
1-inch meter-----	3.50

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:

0 to 500 cubic feet, per 100 cubic feet-----	\$0.35
500 to 1,500 cubic feet, per 100 cubic feet-----	.20
Over 1,500 cubic feet, per 100 cubic feet-----	.15

SUMMER RESORT RATES
CALENDAR YEAR

Annual charge payable in advance, entitling the consumer to 300 cubic feet of water each month from May 1st to November 1st and 50 cubic feet of water each month from November 1st to May 1st-----\$12.00

When water is used in excess of the monthly minimum quantities under the foregoing annual charge, the following rate schedule shall apply:

For the Period from May 1st to November 1st:

0 to 300 cubic feet, included in the annual charge.	
300 to 500 cubic feet, per 100 cubic feet-----	\$0.35
500 to 1,500 cubic feet, per 100 cubic feet-----	.20
Over 1,500 cubic feet, per 100 cubic feet-----	.15

For the Period from November 1st to May 1st:

0 to 50 cubic feet, included in the annual charge.	
50 to 500 cubic feet, per 100 cubic feet-----	\$0.35
500 to 1,500 cubic feet, per 100 cubic feet-----	.20
Over 1,500 cubic feet, per 100 cubic feet-----	.15

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IT IS HEREBY FURTHER ORDERED that N.M. Petersen install and place in operation, on or before May 1, 1933, in a manner satisfactory to this Commission, the improvements set forth below, provided that, in the event said improvements are not so installed on or before May 1, 1933, the schedule of rates herein established, without further order of this Commission, shall be considered cancelled and no longer in effect as of the first day of January, 1934, being superseded by the present schedule of rates as established in Decision No. 24176, dated November 2, 1931.

1. Installation of a distribution main of not less than four inches in diameter on Mountain Avenue in Agua Caliente Park to replace the existing one-and-one-half-inch main from the Mountain Avenue tank to Hill Crest Avenue in Agua Caliente Park.
2. Provision of additional storage facilities of not less than 10,000 gallons at or near the Mountain Avenue well.
3. Provision and installation of proper covers on all storage tanks and/or reservoirs.

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 27th day of December, 1931.

C. S. Lewis
Leon J. ...

W. A. ...

M. B. ...

Fred G. ...
Commissioners.