

ORIGINAL

Decision No. 3486

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

CITY OF LOS BANOS
Complainant

vs

WEST SAN JOAQUIN VALLEY WATER COMPANY,
Defendant.

Case No. 822

In the Matter of the Application of
WEST SAN JOAQUIN VALLEY WATER COMPANY
for an order authorizing an increase
in water rates.

Application No. 1854

Stephen P. Galvin, for City of Los Banos.

Edward F. Treadwell, for West San Joaquin
Valley Water Company.

LOVELAND, Commissioner.

OPINION ON REHEARING.

The opinion and order in these proceedings were issued by this Commission on December 22nd, 1915, both actions having been consolidated for hearing. The Commission found that West San Joaquin Valley Water Company was not receiving a sufficient return in its water utility business at Los Banos and so established a new schedule of rates which also provided for certain expenditures to be made. The anticipated returns as outlined under the new schedule were deemed sufficient to return to the company 7% interest upon the cost to reproduce the plant as it stood, together with interest upon improvements. The improvements which were ordered were as follows:

- First - Extension of water mains into Wilson re-subdivision,
- Second - Metering of 100 flat rate service connections,
- Third - Construction of a filter.

On January 5th, 1916, West San Joaquin Valley Water

Company filed with this Commission a petition for rehearing, making the following allegations:-

(a) that extensions of mains into the Wilson re-subdivision would be an unwarranted expenditure; (b) that the company desired to meter those services which they thought wasteful of water rather than to meter everyone; (c) that the water served by said company had not been objectionable in the past and that there was no actual need of filtration. If such need did exist, then said company desired to furnish water from other sources; (d) that the valuation presented by the Commission's engineer was low in that the real estate had not been appraised at its full value, nor had any inclusion in capital account been made of franchise value or for improvements necessitated by the repaving of streets in the City of Los Banos; (e) that the anticipated returns under the new schedule of rates outlined by the Commission would not be compensatory.

A rehearing was held in Los Banos on June 8th, 1916, ⁶ at which time some additional evidence upon these contended points was presented. It was testified that the State Board of Health had held a hearing in Sacramento on June 3rd, 1916, at which time the question of the sanitary and health condition of the Los Banos water supply was thoroughly discussed in the presence of attorneys for the city and for the defendant company, with the result that West San Joaquin Valley Water Company was granted a temporary permit providing for the immediate establishment of a chlorination apparatus and the installation of a filtering device within the next six months, at which time the temporary permit would expire. The question of the filtration of the water is, therefore, in the hands of the Board of Health until December of this year, and it is not necessary, in this opinion, to consider the matter further. However, the cost

of the installation of the chlorination apparatus should be recognized in the rate schedule which will be outlined herein. Mr. C.G. Gillespie, Director of the State Board of Health, has furnished, as per stipulation at the hearing, a statement showing his estimate of such cost to be \$420.00.

Testimony was introduced regarding the development of the Wilson re-subdivision and it was found that there were 11 houses at present in the tract served with water through many circuituous courses; 3 houses not served; 1 house under construction and 3 parties delaying construction of houses until water mains were laid. The parties at present served with water have generally extended service pipes at their own expense and the company has not been to any expense to furnish adequate service to these residents, although one resident did manipulate his water bill so that it was credited on his books against expenditure made for pipe extensions to his house. Practically all the residents of the re-subdivision attended this second hearing and testified that they would take water from the company as soon as the mains were extended. The revenues from the consumers already located in Wilson re-subdivision will assure the company about 15% interest upon their estimated expenditure of \$1700 and the order of the Commission, previously rendered, is more than justified by the showing now made.

The company presented as exhibits data showing the expense which had been incurred in re-laying mains in advance of the new pavements and we find it proper to include in capital account a portion of the excess cost of these replacements over the amount allowed for smaller pipe previously installed. The paving of the streets throughout the town has necessarily added to the value of the lots, and if we did not feel that the five lots at the pumping plant were in excess of actual needs of the utility

we should consider it advisable to add to the appraisal already made of those lots the cost of the street work.

This Commission has no desire to dictate minute details concerning the installation of meters and will leave it to the company at its option to meter those consumers wasteful of water or to install meters at the consumers' option when a consumer believes that the flat rate which he is paying is in excess of the amount which would be charged under meter rates.

In determining what shall be used as the rate base in these cases, we shall add to the amount which the Commission's engineer reported as the reasonable cost new of the properties as of October 28th, 1915, new capital required to be expended by extension into Wilson re-subdivision; capital required for the installation of at least 50 meters and \$420.00, which is the cost estimated by Mr. Gillespie.

On the other hand I have in mind the fact that there is \$3000 included for auxiliary steam equipment which is of little service value, although necessary in case of fire.

Exhibit #8 presented by the water company shows expenses of rearranging distribution system due to paving, to be:

1915 - July to November,	\$1421.83
1916 - January to May,	<u>1226.77</u>
Total,	\$2648.60

A letter filed by the company on June 27, 1916, shows \$256.15 as the estimated expense of replacing 1 inch pipe on I Street, presumably renewing service connections. The lowering of mains to fit established street grades has been a part of the other expense. The company has laid mains under all intersecting streets covered by the new pavement, all of which is of no immediate use. I will consider \$1000 of this street

expense as proper to be met at this time by being added to capital. We then have :-

Estimated cost new of plant,.....	\$35219
Extension into Wilson re-subdivision, 1700	
Fifty new meters,.....	550
Chlorination plant,.....	420
Portion of street expense occasioned by paving,.....	<u>1000</u>
	\$38889
7% interest on above,.....	2722

The maintenance and operation expense of \$4701.86 will require some adjustment. There will be an addition of \$100 per year for operation of the chlorination plant. The power bill will be reduced, due to a recent decision in the rate case affecting the San Joaquin Light and Power Corporation. This reduction will be about 12%, effecting a saving of nearly \$150. The resultant maintenance and operation expense should not exceed \$4700 for the coming year.

The depreciation allowance previously reported of \$651.03 will be increased by \$94 to allow for the chlorination device and \$57 for the new meters and pipes, aggregating a total of \$802.03.

The return which I find necessary to provide upon completion of the improvements outlined is:-

Interest,.....	\$2722
Depreciation,.....	802
M. & O. Expense,.....	<u>4700</u>
	\$8224
1915 revenues,.....	<u>6711</u>
Necessary total increase in rates,	\$1513
Equivalent per cent,	22 $\frac{1}{2}$ %

The existing flat rate of \$1.50 per house per month and the meter minimum of \$1.25 will, therefore, have to be raised and I find that the following schedule will reasonably

provide the necessary revenue which the consumers in Los Banos should bear until further improvements require revision.

FLAT RATES:

\$1.80 per month for tenements occupied by a single family or private boarding house, and to include toilet and bath fixtures.

\$1.25 per month for each fire hydrant, with monthly minimum of \$45.

All other flat rates as per Ordinance No. 71, of the City of Los Banos, at present in effect.

METER RATES:-

\$1.50 per month for 500 cubic feet or less,
0.20 per 100 cubic feet for the next 1000 cubic feet,
0.15 per 100 cubic feet for all excess over 1500 cubic feet per month.

MUNICIPAL USE:-

\$0.15 per 100 cubic feet.

O R D E R

West San Joaquin Valley Water Company having applied for a rehearing in the above case and application; and a rehearing having been held at which additional testimony was offered by both parties, and it appearing that the order on the evidence then presented of this Commission as of December 22, 1916, was fully justified, but that certain readjustments in the rate schedule are necessary, the Commission being now fully apprised in the premises, does hereby find as facts:

FIRST: That the rates now charged by West San Joaquin Valley Water Company are unjust and unreasonable insofar as they differ from the rates hereafter established;

SECOND: That the following rates are just and reasonable rates to be charged by West San Joaquin Valley Water Company for water sold to its patrons:

FLAT RATES:-

\$1.80 per month for tenements occupied by a single family or private boarding house, and to include toilet and bath fixtures.

\$1.25 per month for each fire hydrant, with monthly minimum of \$45.

All other flat rates as per Ordinance No. 71 of the City of Los Banos, at present in effect.

METER RATES:-

\$1.50 per month for 500 cubic feet or less,
0.20 per 100 cubic feet for the next 1000 cubic feet,
0.15 per 100 cubic feet for all excess over 1500 cubic feet per month.

MUNICIPAL USE:-

\$0.15 per 100 cubic feet.

Basing this order on the foregoing findings of fact and the findings of fact in the opinion which precedes this order,

IT IS HEREBY ORDERED, that West San Joaquin Valley Water Company extend its mains into the Wilson re-subdivision so as to furnish adequate domestic service and fire protection to that district, and

IT IS HEREBY FURTHER ORDERED that West San Joaquin Valley Water Company proceed to meter at least fifty of the services heretofore paying under flat rates, meters to be installed at the option of the company or of the consumer, and

IT IS HEREBY FURTHER ORDERED that West San Joaquin Valley Water Company be authorized to collect the following schedule of rates for water served from its Los Banos plant:

FLAT RATES:-

\$1.80 per month for tenements occupied by a single family or private boarding house, and to include toilet and bath fixtures.

\$1.25 per month for each fire hydrant, with monthly minimum of \$45.

All other flat rates as per Ordinance No. 71 of the City of Los Banos, at present in effect.

METER RATES:-

\$1.50 per month for 500 cubic feet or less,
0.20 per 100 cubic feet for the next 1000 cubic feet
0.15 per 100 cubic feet for all excess over 1500
cubic feet per month.

MUNICIPAL USE:

\$0.15 per 100 cubic feet.

Upon the following conditions and not otherwise: That applicant shall have completed the extension into the Wilson re-subdivision, and shall have begun the gradual installation of meters upon flat rate services and the installation of a chlorination apparatus; and the Commission shall have made a supplemental order stating that these conditions have been fulfilled and that the rates above mentioned may go into effect, and,

IT IS HEREBY FURTHER ORDERED that this order supercedes the order heretofore made by this Commission on December 22, 1915, in this case and application.

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 1st day of July, 1916.

Max Thelers
H. H. Howard
Alex Gordon
Edwin O. Edgerton

Commissioners.