

ORIGINAL

Decision No. 28121

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
the Woodlake Water Company, a public
utility, for authority to increase
rates.

Application No. 19755.

Only O. Davis, for Applicant.

E.I. Feenster, for Woodlake Union
High School, Woodlake Grammar
School, and consumers generally,
Protestants.

BY THE COMMISSION:

O P I N I O N

In this proceeding Woodlake Water Company, a corporation, makes application for an increase in the rates charged for water served to its consumers in and about the unincorporated town of Woodlake, Tulare County.

Applicant alleges that the revenues obtained from the present rates are insufficient to return the annual maintenance and operating expense, including taxes and depreciation, and to provide a reasonable return on the capital investment, as a result of which it is unable to negotiate a loan to replace its distribution mains.

The Commission is asked to increase the minimum charges to one dollar and seventy-five cents (\$1.75) per month for metered deliveries and to two dollars (\$2.00) per month flat rate.

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

The present rates were fixed by the Commission in its Decision No. 9961, dated January 4, 1922 (21 C.R.C. 69) and are in part as follows:

MONTHLY FLAT RATES

Basic rate of \$1.25 per month with additional charges for various facilities and for different businesses, etc., but no charge is made less than \$1.50 per month.

MONTHLY METER RATES

Minimum monthly charge-----\$1.25
 First 1,000 cubic feet, per 100 cubic feet----- .25
 Over 1,000 cubic feet, per 100 cubic feet----- .20

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The principal source of water supply for this system is obtained from a well and pumping plant located about one mile south of the town and is delivered into two steel pressure tanks, having a total capacity of 27,000 gallons, which automatically control the operation of the pump. From these tanks the water is conveyed through a distribution system consisting of approximately 15,000 feet of 6- and 4-inch pipe. Owing to deficient pressure at times of peak draft, a second well and pumping plant with automatic pressure operation have been installed recently in the northerly section of the service area. Heretofore all water has been delivered under flat rates. There are now 159 active consumers.

Applicant presented the following statement covering operations for the year of 1934:

Operating Revenues-----		\$3,725.70
Operating Expenses-----	\$3,679.27	
Uncollectible Accounts-----	24.30	
Non-operating Income-----		7.90
Non-operating Expenses-----	118.95	
Net Loss for 1934-----		88.92
Total-----	\$3,822.52	\$3,822.52

Representatives of the company testified that some of the distribution facilities require immediate replacement, that five thousand dollars (\$5,000) are necessary for this purpose, and that application has been made to the federal government to borrow this amount which, if granted, must be returned at the rate of one thousand dollars (\$1,000) per year with an average annual interest payment of one hundred eighty dollars (\$180). The Commission is asked to increase the rates to provide for the financing of this loan on the above terms. The proposed new schedule of rates is estimated by the company to provide an annual increased revenue of twelve hundred dollars (\$1,200).

A report covering an investigation of the affairs of this utility was presented by F.E. Harroun, one of the Commission's hydraulic engineers. From the evidence submitted, it appears that the estimated historical cost of the used and useful properties of this water works as of December 31, 1934, amounted to \$14,796, with a corresponding annual depreciation allowance of \$336 computed upon the sinking fund basis at five per cent. An analysis of the books and accounts showed that prior to 1933 the records of operation, maintenance and repair were fragmentary and incomplete and that during the years 1933 and 1934 several charges had been improperly made to operating expenses that should have been included under the capital accounts. Using the above operating expenses as corrected, the following results of operation are shown for the years 1933 and 1934:

<u>Year</u>	<u>Fixed Capital</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Operating Revenues</u>	<u>Return Per Cent</u>
1933	\$14,500	\$3,441	\$2,520	\$921	6.3
1934	14,900	3,726	3,426	300	2.0

However, the evidence very clearly indicates that the major items of expense as set up on the company's books are attributable to salaries of general officers such as - manager, \$75 per month; secretary, \$25 per month; and accountant, \$30 per month, aggregating \$1,560 per year, or about one dollar per month per consumer, a charge wholly unnecessary and unreasonable for the proper operation of such a small system. The proper reduction of salaries and elimination of improper items would indicate that operating expenses for the years 1933 and 1934 should not exceed \$2,223 and \$2,616, respectively, which would reflect a net yield of 8.4 per cent for 1933 and 7.4 per cent for the year following.

In connection with the request for such an increase in rates as would permit the amortization of the proposed loan together with interest due thereon during a five-year period, it is sufficient to state that public utility rates cannot be fixed upon such a basis. It would be wholly unfair and unreasonable to require consumers to pay in rates for the cost incurred in writing off all or any portion of the capital invested in the plant. We believe that it is to the advantage of both the company and the consumers if the improvements are made, but the cost of making such improvements should be financed by the company. The loan should be paid out of the amount allowed for replacements and out of the return allowed on the value of the property. The rates set out in the following Order compare fairly with the charges in effect on similarly operated utilities and should produce a reasonable net return on the investment over and above proper operating expenses including depreciation.

O R D E R

Woodlake Water Company, a corporation, having made ap-

plication to the Commission for authority to increase the rates on its public utility water system supplying the town of Woodlake, 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 rates now charged by Woodlake Water Company 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 facts and the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Woodlake Water Company, a corporation, be and it is hereby 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 delivered to consumers subsequent to the 31st day of July, 1935.

MONTHLY FLAT RATES

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|---|--------|
| 1. Residences, boarding houses, flats, lodging houses,
apartments of five rooms and less----- | \$1.25 |
| For each additional room----- | .15 |
| Additional for each bathtub----- | .25 |
| Additional for each toilet----- | .25 |
| 2. Sprinkling or irrigation of lawns, gardens, shrubbery,
etc., when taken continuously during the year, per
100 square feet----- | .035 |
| Minimum monthly continuous irrigation charge----- | .15 |
| Sprinkling or irrigation of lawns, gardens, shrubbery,
etc., when not taken continuously, per 100 square feet----- | .07 |
| Minimum monthly non-continuous irrigation charge----- | .30 |
| 3. Blacksmith shops, bakeries, bank offices, club rooms,
grocery stores, lumber yards, machine shops, printing
offices, meat markets, theatres, warehouses, dry
goods stores, fraternal halls, professional offices,
stores and offices not otherwise listed----- | 1.75 |

4. Ice-cream parlors, soft drink establishments, drug stores, billiard parlors (either alone or in connection with other business) according to use-----\$2.00 to \$3.00
5. Restaurants, lunch counters, according to use---- 1.50 to 3.00
6. Barber shops----- 1.50
7. Laundries, according to use----- 3.00 to 10.00
8. Public garages, five automobiles or less----- 2.00
9. Public schools, according to use, each-----15.00 to 40.00
10. Minimum monthly charge for each service connection----- 1.50

MONTHLY METER RATES

Minimum Monthly Charges:

5/8-inch meter-----	\$1.50
3/4-inch meter-----	1.75
1-inch meter-----	2.50
1 1/2-inch meter-----	4.00
2-inch meter-----	6.00

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

Monthly Quantity Rates:

First 1,000 cubic feet, per 100 cubic feet-----	\$0.20
Next 3,000 cubic feet, per 100 cubic feet-----	.15
Next 6,000 cubic feet, per 100 cubic feet-----	.125
Next 10,000 cubic feet, per 100 cubic feet-----	.10
Over 20,000 cubic feet, per 100 cubic feet-----	.075

Meters may be installed on any and all services at the option of the utility or upon request of any consumer.

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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 16th day of

July, 1935.

Leon Whelan
M. B. Harris
Frank Dewey
 Commissioners.