

Decision No. 31813

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of SANTA ROSA WATER WORKS to
increase rates for water service

Application No. 22006.

In the Matter of the Application
of SANTA ROSA WATER WORKS to
mortgage its properties and
issue its note or notes in the
aggregate principal amount of
\$44,000.00.

ORIGINAL

Application No. 22317.

Bacigalupi, Elkus & Salinger, Attorneys,
By Claude N. Rosenberg, for
Santa Rosa Water Works, a corporation.

Oscar Edgar, a consumer.
William Horstman, a consumer.
Lincoln Blom, a consumer.

BY THE COMMISSION:

O P I N I O N

Santa Rosa Water Works, a corporation, operating a public utility water system in Santa Rosa, Sonoma County, and the unincorporated area contiguous thereto, asks for authority to increase the measured rates for water; to mortgage its properties and to issue its note or notes in the aggregate principal amount of \$44,000.00.

Public hearings in these matters were held before Examiner Loren W. East at Santa Rosa on November 21, 1938, and on December 2, 1938.

The evidence shows that the present rates in effect were filed with the Commission, February 7, 1916.

A comparison of the metered rates in effect with the requested rates follows:

<u>Monthly Minimum Charges</u>	<u>Present Rates</u>	<u>Requested Rates</u>
For 5/8-inch meter	\$1.00	\$1.25
For 1-inch meter	2.00	2.00
For 1 1/2-inch meter	4.00	4.00
For 2-inch meter	6.00	6.00

Monthly Quantity Rates

First	1,337 Cu. Ft., per 100 Cu. Ft.	0.1870	-
Next	1,337 Cu. Ft., per 100 Cu. Ft.	.1496	-
Excess	2,674 Cu. Ft., per 100 Cu. Ft.	.1122	-

In all cases the charge for water consumed shall not be less than \$1.00 for each tapping.

First	500 Cu. Ft., or less	\$1.25
Next	500 Cu. Ft., per 100 Cu. Ft.	.20
Next	1,000 Cu. Ft., per 100 Cu. Ft.	.15
Excess	2,000 Cu. Ft., per 100 Cu. Ft.	.12

Applicant does not desire to increase its flat rates.

About 1893 a municipal water system was constructed by the City of Santa Rosa to supply water to inhabitants within its corporate limits. The City charter provided, among other things, that water be furnished free to its domestic consumers and although subsequently amended, still provides that the first 5,000 gallons of water delivered each month to each of its domestic consumers shall be furnished free. Commercial consumers are not provided with free water. The competition thus created is almost without parallel, and is most difficult for the private utility to meet without unfair discrimination. Applicant has some 210 flat rate consumers, the majority thereof being situate within the City of Santa Rosa. There are 1,120 consumers served of which 910 are on a metered basis.

Santa Rosa Water Works, a corporation, intends to devote the entire proceeds from the borrowed funds primarily to finance the replacement of its transmission mains, originally installed in 1873 and 1876, and to install a 100,000 gallon tank, a chlorination

plant, and to make other improvements which will result in improved service to the consumers. The installation of the proposed tank at a higher elevation than the existing reservoir will increase the pressure to the consumers from 30 pounds to 60 pounds.

Applicant has arranged to borrow \$44,000.00 from the Reconstruction Finance Corporation to finance the cost of making these installations which are detailed as follows:

- | | | |
|----|---|------------------|
| 1. | Replacing 11" main from reservoir to City limits with 11,600' of 16" #10 gauge welded steel pipe..... | \$26,100. |
| 2. | Install 2,000' of 10" #10 gauge welded steel pipe on Talbot Avenue to provide cross-connection between the proposed 16" main and the existing 9" transmission main..... | \$ 3,500. |
| 3. | Install 1,100' of 14" #10 gauge welded steel pipe from well at Peters Springs to connect with the transmission main..... | \$ 2,200. |
| 4. | Replace 1,400' of 11" pipe on "E" Street with 14" #10 gauge welded steel pipe..... | \$ 3,500. |
| 5. | Install 100,000 gallon tank, pump and connections at reservoir..... | \$ 7,500. |
| 6. | Install chlorination plant at reservoir..... | <u>\$ 1,200.</u> |
| | Total..... | \$44,000. |

Water for the system is obtained by diversion from Santa Rosa Creek and flow from Hellman Springs. The stream flow from Santa Rosa Creek is diverted at Melitta and conveyed by gravity through 18 and 20-inch terra-cotta and 11-inch wrought iron pipe for 9,000 feet to an open reservoir known as Lake Ralphine.

Hellman Springs are situated above the reservoir and water from them enters Lake Ralphine by gravity through an open ditch, 2,875 feet long. From this reservoir, with present usable capacity of 135,000,000 gallons, water is transmitted through two mains of 9 inch and 11-inch diameters, having an average length of 11,000 feet each to the distribution system consisting of 176,200 feet

of mains ranging from 3/4-inch to 16 inches in diameter. Applicant has a well at Peters Springs which is not used at present. However, it is proposed to connect this well to the distribution system and supplement from this source the creek and spring water supply and also increase the pressure throughout the service area during periods of heavy water usage.

Mr. Peter A. Nenzel, engineer for the Company and Mr. Everett L. Clark, one of the Commission's hydraulic engineers, presented reports covering fixed capital and present and future maintenance and operation expenses and depreciation annuity. A comparison of these items follows:

		<u>Nenzel</u>	<u>Clark</u>
Fixed Capital	9/30/38	\$245,343	-
" "	8/31/38	-	\$249,005
Operating Revenue	Present	25,000	25,460
" "	Future	28,000	28,472
Operating Expenses	Present	20,524	18,942
" "	Future	20,524	18,942
Net Oper. Revenue	Present	4,476	6,518
" " "	Future	7,476	9,530
Estimated Return	Present	1.82%	2.62%
" " "	Future	3.05%	3.83%

The differences in fixed capital of \$3,662 is largely due to Mr. Nenzel not including \$3,066 of intangible capital which was allowed by the Commission in its Decision No. 23341, dated January 27, 1931. The differences in maintenance and operating expenses are due to the inclusion by Mr. Nenzel of future costs of pumping water into the 100,000-gallon tank, operation of the chlorination plant and for taxes covering the facilities to be constructed, if and when the \$44,000 loan from the Reconstruction Finance Corporation is consummated.

The additional contemplated capital construction will increase total fixed capital. Operating expenses will therefore be increased by the necessary depreciation annuity on the net

additions and betterments and also by certain costs for operation of the chlorination plant and pumping of water into the proposed 100,000-gallon tank. The tank will be near Lake Ralphine and elevated high enough to produce a pressure of 60 pounds on the distribution system, said pressure being approximately equal to that on the municipal water system.

No protests were entered against an increase in rates. The chief concern of the consumers was to obtain an improvement in service conditions.

The proposed note for \$44,000 will bear interest at the rate of five per cent per annum. Under the terms applicant agrees to pay on the principal semi-annual installments of \$1,000 beginning six months after date of the note, and in addition thereto annual payments in the amount of its net earnings for each calendar year, beginning with the year 1939, after depreciation and after deducting the interest payments payable to Mrs. Isabelle McDonald on a \$21,000 note of the corporation held by her (which note has been subordinated to the proposed note) and deducting the aggregate amount expended during the year upon necessary replacements or additions to property. The whole of the note, however, must be paid not later than ten (10) years after its date.

After considering the evidence submitted in these proceedings it is concluded that an increase in applicant's metered rates is reasonable and necessary. The increase will amount to about \$3,000 per year, or 11.8% over present rates. The rate of return will then approximate 3% which is less than normally considered reasonable but applicant states that it is for the present willing to forego a more adequate return. Con-

templated replacements and improvements are necessary to improve existing unsatisfactory service conditions and to protect public health through a safer water supply.

ORDER

Applications having been made as entitled above, public hearings having been held thereon, the matters having been submitted and the Commission now being fully advised in the premises,

It is hereby found as a fact that the rates now charged by Santa Rosa Water Works, a corporation, for metered water service supplied its consumers on its system in and contiguous to Santa Rosa, Sonoma County, are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates to be charged for the service rendered, and basing its Order upon the foregoing finding of fact and upon the statements contained in the Opinion preceding this Order,

IT IS HEREBY ORDERED that Santa Rosa Water Works, a corporation, be and it is hereby authorized and directed to file with the Railroad Commission, within thirty (30) days from and after the date of this Order, the following schedule of meter rates to be charged for all water delivered to consumers in its Santa Rosa service area, Sonoma County, same to be effective on and after the 31st day of December, 1938.

Meter Rates

Monthly Minimum Charges

For	5/8-inch meter.....	\$1.25
For	1-inch meter.....	2.00
For	1½-inch meter.....	4.00
For	2-inch meter.....	6.00

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	500 Cu. Ft., or less.....	\$1.25
Next	500 Cu. Ft., per 100 Cu. Ft.....	.20
Next	1,000 Cu. Ft., per 100 Cu. Ft.....	.15
Excess	2,000 Cu. Ft., per 100 Cu. Ft.....	.11

IT IS HEREBY FURTHER ORDERED that Santa Rosa Water Works, a corporation, be and it is hereby directed to submit, within thirty (30) days from the date of this Order, to this Commission for its approval, revised rates, rules and regulations governing the service of water to its consumers in its Santa Rosa service area.

IT IS HEREBY FURTHER ORDERED that Santa Rosa Water Works, a corporation, be and it is hereby authorized to execute a mortgage of chattels and of real property in or substantially in the same form as that filed in Application No. 22317 as Exhibit "B," provided that the authority herein granted is for the purpose of this proceeding only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act and is not intended as an approval of said mortgage of chattels and of real property as to such other legal requirements to which it may be subject.

IT IS HEREBY FURTHER ORDERED that Santa Rosa Water Works, a corporation, be and it hereby is authorized to issue on or before March 1, 1939, a note in the principal amount of \$44,000 bearing interest at the rate of five per cent per annum, payable as indicated in the copy of the proposed note filed as Exhibit "F" to said Exhibit "B," and to use the proceeds to finance the cost of the improvements and replacements, referred to in the opinion preceding this order, it being the opinion of the Commission that the money, property or labor to be procured or paid for through the issue of the note is reasonably required

for the purposes specified herein.

IT IS HEREBY FURTHER ORDERED that applicant shall file a copy of the note and of the mortgage of chattels and of real property, as actually executed, within thirty (30) days after such execution, and a report or reports such as are required by General Order No. 24-A, which order insofar as applicable, is made a part of this order.

The authority herein granted to issue a note shall become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Forty-four Dollars (\$44.00).

In other respects the order shall become effective from and after twenty (20) days from the date hereof.

Dated at San Francisco, California, this 28th day of December, 1938.

Raymond
Francis
[Signature]
COMMISSIONERS.

44.00
RAILROAD COMMISSION
STATE OF CALIFORNIA
PAID
DEC 23 1938
[Signature]
SECRETARY