

Decision No. 32641

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Miss M. E. Randolph, owner and operator of the Plymouth Water Works, a privately owned Public Utility, for authority to increase the rates on the water sold to the residents of Plymouth, Amador County, California, for domestic use and irrigation purposes and to the town for Fire Protection.

ORIGINAL

Application No. 25922

Leon French, for Plymouth Water Works.

Joseph W. Gross, for Town of Plymouth.

CRAFTER, COMMISSIONER:

O P I N I O N

In the above entitled application, Miss M. E. Randolph⁽¹⁾, operating a public utility water system under the fictitious firm name and style of Plymouth Water Works, engaged in the business of distributing water for domestic and commercial purposes to the inhabitants of the town of Plymouth, Amador County, asks for authority to increase the rates.

The application alleges in effect that, owing to the loss of consumers due to war conditions and the increased costs of labor and materials, the present rates do not produce sufficient revenue to provide maintenance and operating expenses and a return on the investment. The Commission is asked to establish the following schedule of rates:

Minimum Monthly Charges:

5/8-inch meter.....	\$2.25
3/4-inch meter.....	2.50
1-inch meter.....	3.00
1 1/2-inch meter.....	5.00
2-inch meter.....	7.00

Note: (1) Hereinafter sometimes referred to as Applicant.

Monthly Quantity Rates:

First 600 cubic feet, or less.....	\$2.25
Next 1,400 cubic feet, per 100 cubic feet.....	.25
Over 2,000 cubic feet, per 100 cubic feet.....	.15

Monthly Fire Hydrant Rates:

Hydrants on 4-inch mains, or larger,.....	\$2.00
Hydrants on mains less than 4-inch,.....	1.50

Other rates and charges at present in effect to remain unchanged.

Public hearings in this matter were held at Plymouth by Commissioner Craemer and Examiner MacKall.

The water supply for this system is obtained by purchase from the Enterprise Canal of the Arroyo Ditch Company, also a public utility, at a flat rate of \$25.00 per month. A booster pump at the ditch delivers the water either directly into the distribution mains or into a 300,000-gallon concrete storage reservoir located approximately 185 feet above the town. The water is chlorinated at the pump and it is then distributed to point of use through 19,055 feet of transmission and distribution mains that vary from 1 inch to 18 inches in diameter. There are thirty-seven 2½-inch fire hydrants and 136 service connections attached to the system. At present only 110 consumers are being served, and practically all of them are receiving service on a measured basis.

The rates at present in effect were filed with the Commission on January 19, 1942, as a result of the Commission's staff obtaining a reduction in charges from \$75.00 to \$25.00 per month for water purchased from the Arroyo Ditch Company. The \$50.00 reduction was made available to the consumers by reducing the rates established by the Commission in its Decision No.-18931, dated October 17, 1927. The minimum was reduced from \$2.25 to \$2.00 per month, and the 1,400 cubic-foot quantity rate was lowered from 25 to 20 cents per 100 cubic feet. The schedule of rates now effective on the system follows:

METER RATES

Minimum Monthly Charges:

For 5/8 x 3/4 inch meter,.....	\$2.00
For 3/4 inch meter,.....	2.50
For 1 inch meter,.....	3.00
For 1 1/2 inch meter,.....	5.00
For 2 inch meter,.....	7.00

Monthly Quantity Rates:

First 600 cubic feet, or less;.....	2.00
Next 1,400 cubic feet, per 100 cubic feet,..	.20
Over 2,000 cubic feet, per 100 cubic feet,...	.15

FLAT RATES

Per Month

Churches, lodges; cemetery and other establishments using water intermittently, according to estimated use of water, minimum charge,.....\$1.00

Monthly Fire Hydrant Rates:

Fire hydrants on mains 4 inches or more in diameter,.....	\$1.75
Fire hydrants on mains less than 4 inches in diameter,.....	1.50

Municipal Charges:

All water for street and road sprinkling, for flushing sewers, mixing concrete, etc., per 100 cubic feet,..... .15

The fixed capital, annual operating revenue, and expenses for the years 1941 to 1943, inclusive, were presented by Applicant and produced the earnings shown in the following table:

	Year 1941	Year 1942	Year 1943
Total Revenues,.....	\$ 4,755.75	\$ 3,969.07	\$ 3,821.75
Total Expenses,.....	3,474.14	3,319.92	3,288.85
Net Operating Revenue,.....	1,281.61	649.15	532.90
Fixed Capital,.....	21,909.64	22,755.78	23,105.03
Rate of Return,.....	5.85%	2.85%	2.31%

Applicant further testified that the decrease in revenues since 1941 was largely due to the residents leaving the town for war location centers, but also

due to the cessation of all gold mining by order of the Federal Government in connection with the war effort. The Plymouth Mine was Applicant's only industrial water user, but it also employed many of the residents of the town when in operation. Other decreases in revenue were due to the City Council of Plymouth ordering out two fire hydrants during January, 1943, and also to the fact that a majority of the remaining consumers now use less than the minimum allowance of 600 cubic feet of water per month. Applicant also testified that the costs of labor and materials have advanced considerably because of war conditions, and resulted in higher costs of operation over the prewar period.

City representatives testified that the rates should not be increased as it would result in a further decline of Applicant's business and a corresponding loss in revenue. They contend that if the repairs, renewals and general operations of the system were more efficiently supervised and conducted, the resulting savings would be sufficient to reduce operating costs and make it unnecessary to increase the charges. They also claim that excessive losses of water from leaks in the mains add materially to the pumping expense, but that the losses could be avoided by prompt repairs and partial renewals of old pipe lines.

Mr. R. W. Hawley, one of the Commission's engineers, presented a report showing the estimated historical cost of the system, as of June 1, 1944, to be \$23,953; the accrued depreciation as \$10,834, and the present value of the property as \$13,119. Including an allowance of \$250 for working cash capital and \$261 for material and supplies produce an estimated rate base of \$24,464. A depreciation annuity of \$305 was computed by the 5% sinking fund method. The revenues for 1944 operations from present rates were estimated at \$4,050, the reasonable operating expenses based on an analysis of Applicant's accounts and a study of the operations as \$2,946, leaving a net revenue of \$1,104; this latter sum providing a return of 4.51% on the estimated rate base of \$24,464. The report also contained an estimate showing the results of operation of the system during 1944 under the rates requested by Applicant. The estimated revenues and expenses on this basis totalled \$4,524

and \$2,974, respectively, and resulted in a net revenue of \$1,550 and produced a return of 6.33% on the estimated rate base.

The report also showed that the average number of consumers served during the 5-year prewar period of 1937 to 1941, inclusive, was 128, and that the maximum number supplied during these years was 139. The annual reduction in revenue caused by the loss of consumers from the average of 128 to 110 now being served totals \$522. This additional revenue would have increased the estimated 1944 net revenues to \$1,626 and produced a return of 6.65% on the rate base.

The report further shows that approximately 76% of the consumers used the minimum allowance of 600 cubic feet or less, and that these users only consumed 42% of the quantity of water to which they were entitled under the minimum. Such a subnormal water use for domestic purposes is very unusual for this class of consumers. The City representative claims this condition is due to the high rates that have been in effect on this system. Applicant on the other hand contends that the consumers have not used the minimum quantities of water even under existing food control conditions, and that they would not use the water for gardening and lawn sprinkling if the rate were lowered.

After considering the evidence submitted in this matter, it is concluded that the existing consumers should not be penalized with an increase in rates to make up for the loss of business and the reduction in revenues caused by residents leaving the community for war work. The Commission would not be justified in increasing the rates as the loss of consumers is a temporary condition caused by the war, and the present service is still producing a substantial return on the rate base. There is no doubt that Applicant has suffered and will continue to suffer some hardship in providing water service to her consumers for the duration of the war, owing to the shortage of labor and some increases in labor and material costs.

O R D E R

Application having been filed with the Railroad Commission as entitled above, public hearings having been held thereon, the matter having been duly submitted and the Commission being fully advised in the premises,

IT IS HEREBY ORDERED that the above entitled application be and it is hereby denied.

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.

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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 23rd day of January, 1945.

Richard Kach
Justice F. Calver
Francis G. ...
James ...
David ...
COMMISSIONERS.