

Decision No. 39960

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
ELK GROVE WATER WORKS
for authority to change and increase
rates.

Application No. 27418

Downey, Brand and Seymour, by Morgan V. Spicer,
for Elk Grove Water Works.

O P I N I O N

Ira Jones operates a water system under the fictitious firm name of Elk Grove Water Works in and in the vicinity of the unincorporated town of Elk Grove, Sacramento County. In his application Mr. Jones alleges that he will expend \$11,100 for the installation of new mains during 1946, and that he plans to install additional improvements during the next two years estimated to cost \$10,000. Mr. Jones further alleges that when the existing rates were established by the Commission in 1925, the cost of taxes, labor, and materials were much lower than at present, and that if he charged a reasonable salary for his actual work and expenses in operating the water works he would have suffered a substantial loss rather than the small profit as shown in his books and annual reports filed with the Commission. Applicant, therefore, asks the Commission to authorize an increase in rates in order to meet his operating expenses and also to provide a fair return on his investment.

The Office of Price Administration was duly notified of the filing of this application.

A public hearing in this matter was held before Examiner MacKall in Elk Grove.

The Elk Grove Water Works originally was installed in 1893 and was purchased in 1905 by Mr. Ira Jones. The water supply is obtained from two deep wells; one was drilled in 1893, having been deepened several times since; and the other was drilled in 1943. The original well is 440 feet deep and equipped with three centrifugal pumps set in the bottom of a 40-foot concrete pit. Two of these pumps are electrically-operated; the third is belt-driven by a gasoline engine and is used as a standby unit primarily for fire protection purposes in the event of a power failure; but also as a general reserve source of water and power. Water from this well is pumped into a 50,000-gallon elevated steel tank, 70 feet in height. The new well is 555 feet deep, equipped with a deep-well turbine pump direct-connected to an electric motor. This pump discharges through an automatically controlled 1,200-gallon pressure tank into the distribution system. Water from the two tanks is distributed to the customers through approximately 30,400 feet of mains varying in diameter from one to six inches. The average number of consumers served during 1946 was 216; all at flat rates except two industrial consumers served through meters.

The present schedule of rates was established by this Commission in its Decision No. 15591, issued the 31st day of October, 1925; and is based upon a flat rate charge of \$1.50 per month for domestic and commercial service and likewise \$1.50 per month for meter service. Practically all service has been at flat rates. The meter rates established in the above decision were never placed in effect. Although this schedule provided for all water in excess of 1,500 cubic feet being sold at 15 cents per 100 cubic feet, industrial metered water service has been furnished at a charge of but 5 cents per 100 cubic feet.

From the record it appears that Mr. Jones has installed during 1946 some 4,700 feet of new pipe lines at a cost of \$11,000; to a large extent replacing inadequate and wornout mains. Mr. Jones testified that to complete his program of necessary system reconstruction and extension, he will have to spend also \$5,000 for a new well and an additional \$10,000 for water mains.

Mr. C. F. Norris, one of the Commission's engineers, submitted a report prepared jointly with Mr. John D. Reader, also a Commission engineer, covering an investigation of the operations of the system. The fixed capital was based upon an historical cost appraisal of the used and useful property of the company, made in 1925 by D. H. Harroun, one of the Commission's engineers. To these amounts were added the net additions and betterments, resulting in an estimated original cost of the waterworks of \$45,439, as of January 1, 1947, with a corresponding depreciation annuity of \$392 computed by the 5% sinking fund method.

Operations for the year of 1945 taken from the company's annual report to the Commission are as follows:

Fixed Capital.....	\$37,287.25
Revenues.....	5,637.28
Expenses.....	<u>2,796.09</u>
Net Revenues.....	\$2,841.19

The annual operating expenses for the immediate future, including taxes and depreciation, were estimated by the Commission's engineer to be \$3,669 under the present rates charged, and \$4,286 under the rates requested in the application. Annual revenues for the same period were estimated to total \$5,589 at the present rates in effect and \$3,671 at the proposed rates. The results of operation based upon this report, under the present rates and operating conditions, show a net return of 4.23%, while under the requested rates and estimated future expense a return of 9.65%.

The record shows that Mr. Jones has charged against his salary only the sum of \$365 per year upon the basis of \$1.00 per day, an allowance set up as a result of the Commission's decision establishing rates for this system in 1925. According to the evidence Mr. Jones no longer can operate the waterworks alone but must hire a plant assistant and must employ outside extra labor for repairs. Facing this situation Mr. Jones testified that his present rates do not produce enough revenue to permit such employment except at an out-of-pocket loss. The evidence shows that the Commission's engineer allowed but \$100 per month for salary for plant operation. The testimony indicates conclusively that this allowance is

clearly inadequate for the management and operation of this water system. The allowance, therefore, will be increased in the light of the record. On this basis the rates requested would yield close to 8% net on the investment as of December 31, 1946. However, the schedule of rates presented by applicant is not properly designed, being based upon a flat rate charge of \$3.00 per month for residential service. It is clear from the record in this proceeding that applicant is entitled to an adjustment in rates. The present wholesale rate of 5 cents per 100 cubic feet for all water used obviously is too low. The entire rate structure, therefore, will be redesigned to spread the charges more equitably between the domestic and wholesale users.

The evidence shows that the Elk Grove Water Works provides a very excellent fire protection service for a community of this size. It has high elevated storage in a steel tank, and a standby gasoline-operated pumping unit. There is a duly organized and existing fire district covering Elk Grove. However, this district has never paid anything to the waterworks for the fire protection facilities provided and the service rendered. It is, therefore, suggested that applicant take immediate steps to enter into an agreement with the directors of said fire district for the establishment of a fair charge for fire protection service.

There were no protests made by any of the consumers against granting an increase in rates to applicant. An adjusted schedule of flat and meter rates will be established in the following Order:

O R D E R

Application as entitled above having been filed with the Public Utilities Commission of the State of California, a public hearing having been held thereon, the matter having been duly submitted, and the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Ira Jones, doing business as Elk Grove Water Works, for water delivered to his customers in

and in the vicinity of the unincorporated town of Elk Grove, in the County of Sacramento, 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 further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Ira Jones; doing business as Elk Grove Water Works, be and he is hereby authorized and directed to file with the Public Utilities Commission of the State of California, within thirty (30) days from the date of this Order, the following schedules of rates to become effective for all water service rendered on and after the first day of March, 1947:

Schedule No. 1
FLAT RATES

Applicability

For all water service rendered on a flat rate basis.

Territory

In and in the vicinity of the town of Elk Grove, Sacramento County.

Rates

	<u>Per Month</u>
(1) For each dwelling, including reasonable and necessary quantities of water for an irrigated area of not over 4,000 square feet of lawns, gardens, shrubbery and trees.....	\$2.35
(2) For each additional dwelling on same lot, and taking service through same connection.....	1.00
(3) For irrigation of grounds planted to lawns, gardens, shrubbery, and trees in excess of the 4,000 square feet included in dwelling rate, per 100 square feet payable monthly and for the months of May to October, inclusive....	.05
(4) For each public hall, lodge room.....	2.00
(5) All other business to be charged on a measured basis:	

Special Conditions

Charges for flat rate service are payable in advance.

Schedule No. 2

METER RATES

Applicability

For all water service rendered on a metered basis.

Territory

In and in the vicinity of the town of Elk Grove, Sacramento County.

Rates

<u>Monthly Quantity Charges:</u>		<u>Per Meter</u> <u>Per Month</u>
0 to	800 cubic feet; or less.....	\$2.00
Next	4,200 cubic feet, per 100 cubic feet.....	.15
Next	15,000 cubic feet, per 100 cubic feet.....	.10
Over	20,000 cubic feet, per 100 cubic feet.....	.075
 <u>Monthly Minimum Charges:</u>		
5/8 x 3/4 inch meter	.....	\$2.00
3/4 inch meter	.....	3.05
1 inch meter	.....	5.30
1 1/2 inch meter	.....	7.00
2 inch meter	.....	10.00

A minimum charge will entitle the consumer to the quantity of water which that Monthly Minimum Charge will purchase at the Monthly Quantity Charge.

IT IS HEREBY FURTHER ORDERED AS FOLLOWS:

1. That Elk Grove Water Works, within thirty (30) days after the effective date of this Order, shall file four sets of rules and regulations governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale of 8 1/2 x 11 inches in size, indicating thereon the service area and the location thereof with reference to the surrounding territory. Such filing shall not be construed as a final determination or establishment, in whole or in part, of the dedicated area of service.
2. That Elk Grove Water Works, within sixty (60) days after the effective date of this Order, shall file four copies of a comprehensive map or sketch, drawn to an indicated scale of not less than 400 feet to the inch, delineating correctly thereon, by appropriate markings, the various tracts of land in the territory served. Such map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the various properties comprising the entire area of service. Such filing shall not be construed as a final determination or establishment, in whole or in part, of the dedicated area of service.

For all other purposes the effective date of this Order shall be thirty (30) days from and after the date hereof.

Dated at San Francisco California, this 11th day of February, 1947.

Harold K. Huls
Justus F. Grainger
W. H. Powell
R. E. Dunnington
Herbert Patten
Commissioners.