

Decision No. 40638

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of ARVIN WATER COMPANY at Arvin, Kern County, California, for authority to (1) Establish a service boundary area; and (2) to increase its metered rates and to abolish its flat rates to its consumers.

Application No. 28189

ORIGINAL

Calvin H. Conron, Jr., By W. E. James For Applicant.

O P I N I O N

Arvin Water Company, a corporation, engaged in the business of supplying water for domestic, commercial and industrial use in and in the vicinity of the unincorporated town of Arvin, Kern County, asks the Commission to establish a service area boundary and for authority to increase its meter rates and to discontinue flat rate service. Applicant alleges that the area now served has no boundary limits and that in order to protect its existing consumers and to preserve an adequate water supply, a service area boundary must be established. Further, Applicant alleges that an increase in rates is necessary due to the increased cost of labor and materials, and the increased cost of pumping due to the lowering of the ground water table.

A public hearing in this matter was held before Examiner M. R. MacKall in Arvin.

At the hearing on this matter the company requested that the application be amended in two respects, to wit: a requested revision of the proposed service area boundary shown on Exhibit "F" of the application, and a request for the establishment of a temporary schedule of increased flat rates. A map filed as Exhibit No. 1 in this proceeding shows outlines of Applicant's proposed service area as revised, which are further described by metes and bounds in Exhibit No. 2.

The water system operated by Applicant was established originally by C. C. Stockton in 1920 to serve a real estate subdivision, and was then known as

Stockton Water Works. No charges were collected for water until 1927, when the Commission, in its Decision No. 18251, granted a certificate of public convenience and necessity to the owners of this water system. In 1936, under authority of the Commission's Decision No. 29027, the ownership of the system was transferred to C. C. Stockton, Ruth M. Glenn, Robert L. Stockton, and C. B. Stockton, in joint tenancy, operating under the fictitious firm name of Arvin Water Company. Shortly thereafter, the company acquired an adjoining water system from Arvin Mutual Water Company. The Arvin Water Company was incorporated under the laws of the State of California on February 28, 1938, and the transfer of the certificate was authorized in the Commission's Decision No. 31221, dated August 11, 1938.

The water supply for this system is obtained from wells, two of which are approximately 550 feet in depth and have been in service for the past several years. A third well, 900 feet deep and 16 inches in diameter, was drilled and put into service in the early part of 1947. All are equipped with deep-well turbine pumps directly connected to electric motors. The water from the wells is stored in a 75,000-gallon elevated steel tank and is distributed to the customers through approximately 48,000 feet of mains, varying in size from two to ten inches in diameter. At the end of 1946 there were 745 customers being served, 377 metered and 368 served on a flat rate basis.

The present schedule of rates was established by this Commission in its Decision No. 29027, issued August 3, 1936, and is based upon a flat rate charge of \$1.00 per month for domestic and commercial service. The measured rates provide for a monthly minimum charge of \$1.00 with an allowance of 540 cubic feet. Excess use is reduced through three blocks to 6 $\frac{1}{2}$ ¢ per 100 cubic feet.

Mr. R. L. Stockton, Jr., Secretary-Treasurer of the corporation, testified that the company invested more than \$44,900 during 1947 to install a new well, pumping equipment and pipe lines. In addition to this investment he stated that materials now on order amount to \$22,000, and the metering of all services as planned will entail an additional investment of \$14,800. In a balance sheet submitted by Mr. Stockton and designated Exhibit No. 3, the company's total capital investment

as of April 30, 1947, amounted to \$217,321. The operating revenue for the period from January 1, 1947, to April 30, 1947, is listed as \$7,543.55, and for the same period the operating expenses are shown to be \$6,587.26, leaving a net operating revenue of \$956.29.

Further, Mr. Stockton testified that since 1936, pumping costs have increased materially by reason of the continual lowering of the ground water table. A witness for the company testified that in 1936 the water stood at approximately 125 feet below ground surface and in July, 1947, it was found to be 190 feet, and that since 1941, the annual lowering has been from 6 to 8 feet.

Mr. C. F. Norris submitted a report prepared jointly with Mr. Verner R. Kuth, both engineers for the Commission, covering an investigation of the operations of the system. The fixed capital was based upon an historical cost appraisal of the operative properties of the company, made in 1936 by Carl F. Mau, a former Commission engineer. To these amounts were added the net additions and betterments, resulting in an estimated total capital investment of \$246,160, as of May 20, 1947, with a corresponding depreciation annuity of \$2,526 computed by the sinking fund method at 5%.

Operations for the year 1946, taken from the company's annual report to the Commission, are as follows:

Fixed Capital.....	\$95,430.
Revenues.....	24,993.
Expenses.....	<u>18,493.</u>
Net Revenues.....	\$6,500.

The annual operating expenses for the immediate future, including taxes and depreciation, were estimated by the Commission's engineers to be \$22,459 under the present rates charged, and \$25,689 under the rates requested in the application. Annual revenues for the same period were estimated to total \$27,700 at the rates at present in effect, and \$41,669 at the proposed rates. The results of operations based upon this report, under the present rates and operating conditions show a net return of 3.54%, while under the requested rates and estimated future expenses a return is estimated to be 10.80%.

It is clear from the record in this proceeding that the Applicant is entitled to an adjustment in rates. However, the schedule of rates included in the application as Exhibit "D" is not properly designed. The entire rate structure, therefore, will be redesigned to spread the charges more equitably between the domestic and industrial users and to reduce the yield to a reasonable net return.

There were no protests made by any of the consumers against granting a fair and proper 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 the Arvin Water Company, a corporation, for water delivered to its customers in and in the vicinity of the unincorporated town of Arvin, in the County of Kern, 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 on the foregoing findings of fact, and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Arvin Water Company, a corporation, be and 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 September, 1947.

Schedule No. 1

METER RATES

Applicability

For all water service rendered on a metered basis.

Territory

In and in the vicinity of the unincorporated town of Arvin, Kern County.

Rates

Monthly Quantity Charges

	Per Meter Per Month
0 to 600 cubic feet; or less.....	\$1.35
Next 1,400 cubic feet; per 100 cubic feet.....	.17
Next 3,000 cubic feet; per 100 cubic feet.....	.14
Next 5,000 cubic feet; per 100 cubic feet.....	.12
Next 15,000 cubic feet; per 100 cubic feet.....	.10
Over 25,000 cubic feet; per 100 cubic feet.....	.09

Monthly Minimum Charges

5/8 x 3/4 inch meter.....	\$1.35
3/4 inch meter.....	2.50
1 inch meter.....	5.00
1 1/2 inch meter.....	7.50
2 inch meter.....	12.50
3 inch meter.....	20.00
4 inch meter.....	40.00
6 inch meter.....	60.00

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

Schedule No. 2

FLAT RATES

Applicability

For all water service rendered on a flat rate basis.

Territory

In and in the vicinity of the unincorporated town of Arvin, Kern County.

Rates

	Per Month
Residence (3 Rooms or less).....	\$1.35
Additional rooms, each.....	.20
Toilets, each.....	.25
Baths, each.....	.25
Irrigation of Lawns, Gardens, etc., in excess of 2,000 sq. feet per 100 sq. feet for each month of the year.....	.015

Special Conditions

Charges for flat rate service are payable in advance.

IT IS HEREBY FURTHER ORDERED as follows:

1. That Arvin Water Company, a corporation, within sixty (60) days from the date of this Order, shall submit to this Commission for its approval 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 upon a sheet 8 1/2 x 11 inches in size, delineating thereupon in distinctive markings the boundaries of its present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.
2. That Arvin Water Company, a corporation, within sixty (60) days from the date of this Order, shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently to be served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service; provided, however, that such map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

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 26th day of August, 1947.

Harold P. Kula
Justus J. Calver
W. H. Kaul
R. E. Friedman
Samuel D. Potter
 COMMISSIONERS.