

ORIGINALDecision No. 41767

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
the Jackson Water Works for an in-
crease in Water Rates in the areas
served in and in the vicinity of the
city of Jackson, Amador County, Calif.

Application No. 29014

Jesse E. McLaughlin, for applicant;
John Spencer, for applicant;
G. C. Chisholm, City Attorney, for
City of Jackson;
Angelo J. DePaoli, a consumer.

O P I N I O N

Applicant, Jackson Water Works, is a co-partnership consist-
ing of Mr. Jesse E. McLaughlin and Mr. Clyde L. Grandbois and is
engaged in the public utility business of furnishing and distributing
water for domestic, commercial, and municipal uses in and in the
vicinity of the city of Jackson, Amador County, California.

In this proceeding the applicant alleges that in the past
several years it has added substantially to the physical properties of
its water system and that its operation and maintenance expenses have
materially increased, which facts, together with other proposed in-
creased costs over which applicant has no control, will require
increased revenues in order that it may operate on a reasonably sound
financial basis and continue to render efficient service to its consum-
ers. Wherefore, the Commission is requested to authorize and establish
rates, in conformity with the proposed schedule set forth in the
application, that will provide applicant with an increase of about 30%
over present revenues, or such other rates as will render applicant a
fair and reasonable revenue in connection with its operations.

Public hearings in this matter were held in Jackson before Examiner Mackall and Examiner Foster.

The Jackson Water Works obtains its water supply by purchase from the ditch system of the Pacific Gas and Electric Company. Heretofore the water was delivered into two wooden tanks, having a combined storage capacity of about 86,000 gallons, located on the hillside west of town at an elevation of about 190 feet above the central and business district of the city. The utility recently has constructed a 4,000,000-gallon earthen reservoir at a considerably higher elevation above Kennedy Flats and north of the Jackson city limits. A pipe line consisting of 4,000 feet of 12-inch and 4,300 feet of ten-inch diameter pipe will transmit the water from the new reservoir to the location of the old tanks, connecting there with the existing distribution system. Reservoir pressure will be reduced to a suitable operating pressure in the city by means of automatic regulating valves. Barring unforeseen contingencies, the new facilities were expected to be in operation not later than May 1, 1948. Excluding the new 8,300-foot transmission line but including the piping installed during 1947 in several subdivisions the distribution system comprises approximately 55,000 feet of pipe varying in size from one inch to ten inches in diameter. There were 616 active service connections as of December 31, 1947.

All water delivered, except that used for fire protection is sold to consumers at meter rates for domestic, commercial, municipal and irrigation purposes. Flat rate service is rendered for fire protection, there being 19 privately-owned fire hydrants and 92 owned by the utility. The schedule of rates now in effect was authorized by the Commission's Decision No. 21742, rendered November 1, 1929 in Application No. 15584. The following tabulation shows the effective rates and those requested by applicant:

JACKSON WATER WORKS

<u>Meter Rates</u>	<u>Schedules</u>	
<u>Monthly Minimum Charges:</u>	<u>Effective</u>	<u>Requested</u>
For 5/8 - inch meter	\$1.50	\$1.95
For 3/4 - inch meter	2.00	2.60
For 1 - inch meter	2.75	3.50
For 1-1/2 - inch meter	3.75	4.85
For 2 - inch meter	5.75	7.50

Monthly Quantity Rates:

First 600 cubic feet	1.50	1.95
From 600 to 3,000 cu.ft. per 100 cubic feet	.18	.234
All over 3,000 cu.ft. per 100 cu.ft.	.12	.156

Municipal Use

Fire hydrants, owned by the company, each per month	1.50	1.95
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Fire hydrants, owned and installed by the city and maintained by the company, each per month	1.00	1.30
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Add other municipal service charged for at the regular meter rates .

Testimony for the company was presented by its engineer, Mr. John Spencer. A report on the results of operation of the utility also was introduced in evidence by Mr. Ed F. Catey, an engineer of the Commission's Hydraulic Division. Both engineers adopted the rate base of \$51,000 established by the Commission in its Decision No. 21742, rendered November 1, 1929, adding subsequent capital betterments, less retirements, and the amounts used in arriving at a rate base for the present proceeding were as shown in the following tabulation:

<u>Rate Base</u>	<u>Utility's Engineer</u>	<u>Commission's Engineer</u>
Total rate base, Decision No. 21742	\$51,000	\$51,000
Total adjusted capital, December 31, 1947	99,685	103,910
Materials and supplies, December 31, 1947	-	2,150
Working cash capital, December 31, 1947	-	2,340
Total adjusted rate base capital	99,685	108,400

In the foregoing tabulation the Commission's engineer made allowance for materials and supplies, and working cash capital whereas the utility's engineer did not, but accepted the inventory and appraisal of the equipment on hand as presented. Other minor capital installations in the two appraisements were not identical. However, when all factors are considered, the two engineers are in substantial agreement as to rate base capital.

The development of the results of operation, summarized from the exhibits introduced in evidence by the utility's engineer and by the engineer for the Commission, is shown in the following tabulation:

SUMMARY OF EARNINGS

Classification	1947-Adjusted		1948-Estimated	
	At Present Rates	At Requested Rates	At Present Rates	At Requested Rates
<u>Operating Revenues:</u>				
Flat rate-private hydrants	\$ 228	\$ 296	\$ 228	\$ 296
Flat rate-utility's hydrants	1,654	2,150	(Same as 1947- detail)	1,656
Metered - domestic and commercial	18,344	23,847	19,200	24,960
Metered - municipal departments	1,337	1,738	1,460	1,898
Metered - irrigation	286	372	286	372
Miscellaneous	325	435	325	435
Total Operating Revenues	22,174	28,836	22,174	30,114
<u>Operating Expenses:</u>				
Source of water supply	3,042	3,042	3,460	3,460
Purification expense	651	651	(No detail shown)	700
Transmission and distribution expense	1,931	1,931	2,130	2,130
Repairs to transmission and distribution	2,724	2,724	2,820	2,820
Commercial	1,578	1,578	1,880	1,880
General and miscellaneous	4,372	4,372	4,850	4,850
Subtotal	14,298	14,298	16,466	15,840
Operating taxes	2,189	3,814	3,217	3,814
Depreciation annuity	2,237	2,237	2,961	2,264
Total expenses	18,724	20,349	22,644	21,948
Net Operating Revenue	3,450	8,489	(470)	8,166
<u>Adjusted Capital:</u>				
Undepreciated rate base	108,400	108,400	99,685	109,700
<u>Rate of Return:</u>				
Sinking fund method	3.18%	7.83%	(Loss)	2.64%

(Red Figure)

In the above tabulation, the expenses for 1947 include the purchase of water from Pacific Gas and Electric Company. Prior to March 3, 1947, the contract rate was 20 cents per miner's inch day, but the Pacific Company had exercised its option to terminate that contract and the Water Works thereafter was billed at a rate of 50 cents per miner's inch day, in accordance with the new agreement which eventually was signed October 25, 1947, subject to authority of the Commission. It was understood that whatever rate the Commission authorized would be the rate to be applied beginning March 3, 1947. In the estimates for 1948, the engineers for the utility and the Commission used the 50-cent rate. By a decision issued today in Application No. 28853, the Commission is authorizing Pacific Gas and Electric Company and the owners of Jackson Water Works to carry out the terms of a contract which provides for a rate of 50 cents per miner's inch day for water delivered by the Pacific Company to the co-partners operating the Jackson Water Works, applicant herein. The estimates made on this basis, therefore, are applicable in this proceeding.

In the foregoing tabulation of expenses, it will be noted that the amount of annual depreciation determined by the applicant's engineer is about \$700 higher than that calculated by the Commission's engineer. This is due to the considerably shorter life expectancy assigned to the items of new property installed since November 1, 1939. The longer lives assigned by the Commission's engineer are based on the record shown by elements installed prior to that time and were not questioned at the hearing. The estimate of the Commission's engineer for this item will be considered as reasonable for the purposes of this proceeding.

Consideration of all of the evidence presented in this matter indicates that while the present rates cannot be expected to produce a reasonable return on the investment under present operating conditions, the requested rates upon a flat percentage basis may result in a disproportionately large increase to some users. The

rates established in the following Order are designed to increase the total revenues so that the net revenues at the newly authorized rates should render a reasonable return on the utility's increased investment. The rate structure will be revised somewhat to spread the increased charges more equitably than the former schedules.

On behalf of the City of Jackson, City Attorney Chisholm introduced in evidence some tables of fire flow tests made by the Board of Fire Underwriters of the Pacific in 1946 and 1948 on a number of more or less typical fire hydrants. These tests show that while the static pressure in the central portion of the city was as much as 83 pounds per square inch, the volume of water discharged, from some of the hydrants did not meet fire underwriter standards, particularly in some of the outlying portions of the city. An analysis of these conditions seems to indicate that in some localities the mains supplying the hydrants are too small. As an incentive to remedying these conditions, and at the same time to put the hydrant charges on a basis somewhat proportional to the capacity of the hydrant to deliver water for fire protection purposes, a schedule of fire hydrant rates will be authorized, designed to accomplish such objectives. There is no doubt that the newly constructed 4,000,000-gallon reservoir will afford a marked improvement in the capacity of the hydrants for sustained flow over a longer period of time in case of fire. The utility owners should be commended for their enterprise in providing this valuable improvement to the safety and welfare of the city.

Such complaints were made by consumers as to occasional low pressure conditions. Since the time materials have become available again following the war period, the utility operators have been extremely pressed to finance and superintend the great amount of work involved in the construction of the larger storage facilities, the piping of several subdivisions and the relaying of a considerable length of water mains caused by the relocation of the state highway.

When these major items have been completed, the utility will be able to devote more attention to removing the conditions which cause poor or inadequate pressure in some isolated portions of the system.

O R D E R

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

IT IS HEREBY FOUND AS A FACT that the rates now charged by Jesse E. McLaughlin and Clyde L. Grandbois, co-partners operating under the fictitious firm name of Jackson Water Works, for water supplied to their customers in the city of Jackson, Amador County, and in the vicinity thereof, are unjust and unreasonable in so far as they differ from the rates established herein; that the rates herein established are just and reasonable rates to be charged for the service to be rendered; that the increase in rates authorized by this decision is hereby found to be justified; and, basing its Order upon the foregoing findings of fact and upon the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Jesse E. McLaughlin and Clyde L. Grandbois, co-partners operating under the fictitious firm name of Jackson Water Works, be and they are hereby authorized to file in quadruplicate with the Public Utilities Commission of the State of California, in conformity with the Commission's General Order No. 96, within ten (10) days from the effective date of this Order, the following schedules of rates to be charged for all water service currently billed on and after the effective date of this Order:

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service rendered on a metered basis.

TERRITORY

In the city of Jackson, Amador County, and in the vicinity thereof.

RATES

<u>Quantity Rates:</u>		<u>Per Meter Per Month</u>
First	600 cu.ft. or less.....	\$ 1.85
Next	1,400 cu.ft., per 100 cu.ft.25
Next	3,500 cu.ft., per 100 cu.ft.20
Next	9,500 cu.ft., per 100 cu.ft.15
Over	15,000 cu.ft., per 100 cu.ft.12

Minimum Charge:

For	5/8-inch meter.....	1.85
For	3/4-inch meter.....	2.25
For	1-inch meter.....	3.50
For	1 1/2-inch meter.....	6.00
For	2-inch meter.....	9.50
For	3-inch meter.....	18.00
For	4-inch meter.....	30.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

Schedule No. 2

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service rendered to fire hydrants.

TERRITORY

In the city of Jackson, Amador County, and in the vicinity thereof.

Schedule No. 2

FIRE HYDRANT SERVICE (Cont.)

RATES

(A) For hydrants owned by the Utility.

Monthly Charge Per Hydrant							
Type of Hydrant	Connection	Size of	No. of	Minimum Size of Main Supplying Hydrant			
				Outlets	4" than	6" less	8" less
Barrel	6"	3	\$ -	\$2.50	\$3.00	\$3.50	\$4.00
Barrel	6"	2	-	2.25	2.50	3.00	3.50
Barrel	4"	2	-	2.00	2.25	2.75	3.25
Barrel	4"	1	-	1.75	2.00	2.25	3.00
Wharf	4"	1	1.25	1.50	1.75	2.00	2.25
Wharf	Smaller	1	1.25	1.25	1.50	1.75	1.75

CONDITIONS

Fire hydrants will be installed by the Utility at its own expense at specific locations within the city limits as designated by proper resolution passed by the Jackson City Council. Such hydrants will remain the property of the Utility and will be maintained by it. Relocations will be made when requested, at the expense of the City.

(B) For hydrants owned by the City of Jackson or private parties.

Monthly Charge Per Hydrant							
Type of Hydrant	Connection	Size of	No. of	Minimum Size of Main Supplying Hydrant			
				Outlets	4" than	6" less	8" less
Barrel	6"	3	\$ -	\$1.75	\$2.00	\$2.50	\$3.00
Barrel	6"	2	-	1.50	1.75	2.25	2.75
Barrel	4"	2	-	1.25	1.50	2.00	2.50
Barrel	4"	1	-	1.25	1.50	1.75	2.25
Wharf	4"	1	1.00	1.25	1.50	1.75	2.00
Wharf	Smaller	1	1.00	1.00	1.25	1.50	1.50

CONDITIONS

Fire hydrants will be attached to the Utility's distribution mains for public fire protection at the expense of any applicant, upon receipt of proper resolution passed by the Jackson City Council or by written agreement with a private party. Said resolution or agreement must designate the type of hydrant, size of connection, number of outlets, and specific location at which each is to be installed.

The foregoing charges for water service to such hydrants are based upon the understanding that they are to be owned by the City or other private party and are to be installed, maintained, painted, inspected and relocated at the expense of the City or other private party. The Utility will install, own, and maintain the tee in the main to which the hydrant is attached in each case.

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IT IS HEREBY FURTHER ORDERED as follows:

1. That Jesse E. McLaughlin and Clyde L. Grandbois, co-partners operating under the fictitious firm name of Jackson Water Works, within forty (40) days from the effective date of this Order, shall file with this Commission four sets of rules and regulations governing relations with their 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 their present service area and the location thereof with reference to the immediate surrounding territory provided; however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

2. That Jesse E. McLaughlin and Clyde L. Grandbois, co-partners operating under the fictitious firm name of Jackson Water Works, within sixty (60) days from the effective 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 filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 22nd day of June, 1948.

R. B. Anderson
Justice F. Calver
Frank Russell
Harriet Kule
Lawrence D. Potter
 Commissioners.