

ORIGINALDecision No. 41800

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of C. R. HAILE for Authority to
Increase the Rates of the
Denair Water Works.

Application No. 29041

Rodin & Nelson by Oliver K. K. Nelson,
for Applicant; Chester Domecq, Robert Heans,
and Mrs. Nettie Mendenhall, for themselves.

O P I N I O N

In this application C. R. Haile, doing business as Denair Water Works, serving the unincorporated town of Denair in Stanislaus County, asks this Commission to authorize an increase in rates and charges for water service. The application states that the system is operating at a loss under present rates and sets forth proposed rates and charges.

A public hearing was held on this application in Denair before Examiner Ross.

This water property was acquired by applicant in accordance with Decision No. 33695 (Application No. 23731) dated December 3, 1940. Applicant operates two separate water systems, one section being located east of the Santa Fe Railway right of way and the other system located west of the right of way. The first pipe in the former area was laid in 1907 and in the latter area service was initiated approximately two years ago. The two systems aggregate about 12,500 feet of pipe ranging in size from one inch to six inches in diameter. Two wells, with a combined capacity of 615 gallons per minute, one located in the center of the service area of each of the systems, comprise the source of water supply. Pressure is maintained on the distribution system by means of two 1,200-gallon steel pressure tanks

automatically controlled. At the close of 1947 there were 152 consumers receiving service, all on a flat rate basis.

Applicant plans to interconnect his two systems within the next year or so with about 2,000 feet of six-inch pipe. This interconnection would provide standby for each of the now separate systems and in addition would make possible the installation of a number of hydrants for fire protection. No estimates of the cost of this installation were given nor was the probable date of such construction indicated; accordingly, this proposed installation cannot be considered in the current proceeding.

No complaints on service matters were registered at the hearing.

The rates presently in effect provide for flat rate service exclusively and were established in Decision No. 33695, (Application No. 23731), dated December 3, 1940. The present schedule of flat rates provides for 17 different classifications of service, several of which carry identical monthly charges. Applicant's proposed rates comprise a materially simplified schedule of flat rates carrying a charge of \$2.25 per month for 3/4-inch service connection, \$3 for one-inch service connection and a charge of \$1 for each additional dwelling house or other consuming unit taking service through the same connection. Applicant's proposed meter rates provide for monthly minimum charges ranging from \$1.50 for 5/8 by 3/4-inch meter up through \$20 for a six-inch meter together with monthly quantity rates of nine cents per 100 cubic feet for the first 5,000 cubic feet per month, scaled down through an intermediate block to five cents per 100 cubic feet for consumption in excess of 50,000 cubic feet per month. Applicant proposes the restriction that when a flat rate consumer elects to receive water service on a metered basis, such service must be maintained for a period of at least 12 months.

Upon the basis of actual operations in the year 1947, a representative of the Commission's staff testified that the operating revenues received were \$1,876 and that the reasonable operating expenses incurred were \$2,565, yielding a net operating loss of \$689. On the basis of the same year's operation, the staff estimated that the rates proposed by applicant would produce \$4,100 in revenue and \$2,770 would be the related operating expenses yielding a net operating revenue of \$1,330. According to an appraisal of the historical cost of the properties as of February 10, 1948, the rate base was established at \$17,166. Therefore, applicant's proposed charges would provide a rate of return of 7.75% on the rate base.

The rates requested by applicant would appear to yield an excessive return, and it is felt that some lesser increase in charges is appropriate. Accordingly, the Order will provide for rates that will yield a gross revenue of about \$3,650 or an increase over present rates of about \$1,770. After deduction of appropriate operating expenses, these latter rates will provide a net operating revenue of about \$970, yielding a rate of return of about 5.6%.

O R D E R

Application having been filed with the Public Utilities Commission, public hearing having been held thereon, the matter having been duly submitted and the Commission being now fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates as now charged by O. R. Haile, doing business as Denair Water Works, 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 services rendered and based upon the foregoing,

IT IS HEREBY ORDERED that O. R. Haile be and he is hereby authorized and directed to file within twenty (20) days from the

effective date of this Order the following schedule of rates charged for all water service rendered on and after August 1, 1948:

Schedule No. 1

FLAT RATES

APPLICABILITY

Applicable to all domestic and commercial use of water.

TERRITORY

In and adjacent to the unincorporated town of Denair, Stanislaus County.

RATES

| | <u>Per Month</u> |
|---|------------------|
| For a 3/4 inch connection | \$2.00 |
| For a 1 inch connection | 2.75 |
| For each additional dwelling house, apartment, store or other single unit establishment being served through same service on same lot, for each added unit. | 1.00 |

Schedule No. 2

METER RATES

APPLICABILITY

Applicable to all domestic, commercial and industrial use of water.

TERRITORY

In and adjacent to the unincorporated town of Denair, Stanislaus County.

RATES

| Monthly Minimum Charges: | <u>Per Meter Per Month</u> |
|--------------------------|----------------------------|
| For 5/8x3/4 inch meter | \$ 1.50 |
| For 3/4 " " | 1.75 |
| For 1 " " | 2.50 |
| For 1 1/2 " " | 3.50 |
| For 2 " " | 5.00 |
| For 3 " " | 10.00 |
| For 4 " " | 15.00 |
| For 6 " " | 20.00 |

Each of the above Monthly minimum Charges will entitle the consumer to that amount of water that the monthly minimum charge will purchase at the following Monthly Quantity Rates:

Schedule No. 2

METERED RATES (Continued)

RATES (Continued)

Monthly Quantity Rates:

| | | | |
|-------|--------|---------------------|--------|
| First | 600 | cubic feet, or less | \$1.50 |
| Next | 4,400 | " " per 100 cu. ft. | .15 |
| Next | 45,000 | " " per 100 cu. ft. | .12 |
| Over | 50,000 | " " per 100 cu. ft. | .10 |

A meter may be installed at the option of either the utility or the consumer. When service is changed from flat to metered rates, at the consumer's written request, such service must be continued for not less than 12 months at the meter rates before it may be again changed to flat rates.

IT IS HEREBY FURTHER ORDERED as follows:

1. That O. R. Haile, within sixty (60) days after the effective date of this Order, shall file four copies of a suitable map or sketch of its entire utility area of service, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of its service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such map or sketch shall not 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 O. R. Haile, within sixty (60) days after 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 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.

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

Dated at San Francisco, California, this 7th day of July, 1948.

R. T. Dunderman
Justice J. G. Galloway
Frank Powell
Harriet Hild
Samuel G. Gutter
Commissioners