

Decision No. 41643

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
of

ENES WATER COMPANY

For an order authorizing an
increase in rates for its
water system

ORIGINAL

Application No. 29204

Orrick, Dahlquist, Neff, Brown & Herrington,
by N. D. Rowley, for Applicants;
Paul Mikuls, for self and consumers.

O P I N I O N

In this application Enes Water Company, a corporation, engaged in the business of furnishing public utility water service in an unincorporated area known as West Pittsburg and located approximately three miles west of the city of Pittsburg, Contra Costa County, asks the Commission for authority to increase rates on its present system and also for the adjacent public utility water system formerly owned and operated by the Orbisonia Water Company, a corporation, whose stock was recently acquired by the owners of the Enes Water Company.

The company alleges that its present rates are insufficient as all its consumers are domestic users and increased labor and material costs for operating the system are twice as large as they were when the present rates were established. Applicant further alleges that since the present rates were made effective the wells used to furnish water for the system have failed, making it necessary for applicant to install filtration facilities and to purchase all water used for the system from the adjacent Contra Costa Canal by contract with the U. S. Bureau of Reclamation.

A public hearing was held in this proceeding at Pittsburg.

On July 29, 1947, the Commission by its Decision No. 40579, Application No. 28461, granted Enes Water Company authority to extend its service to include that area delineated upon a map filed as Exhibit 6, in the former proceeding including the territory then served by Orbisonia Water Company.

Pursuant to the Commission's decision, the Enes Water Company, purchased all of the stock of the Orbisonia Water Company and began a construction program to improve the service to the consumers formerly served by the Orbisonia system.

Subsequent to the filing of this application this Commission by its Decision No. 41753 (Application No. 29388) dated June 22, 1948, authorized the merger of Orbisonia Water Company into Enes Water Company and authorized Enes Water Company to assume all the obligations of Orbisonia Water Company pursuant to the terms of the agreement of merger.

The construction project consisted of inter-connecting the two systems with a new six-inch main approximately 11,500 feet in length, the installation of a 630,000-gallon concrete storage tank on a hillside above the area served by both systems. A new modern concrete purification plant with a rated capacity of approximately 1/2 million gallons per day and equipped with coagulation basins, pressure filters, chemical feeders, hypo-chlorite feeders and pumping equipment has also been constructed and is now in operation.

Since acquiring the Orbisonia water system, applicants have overhauled the distribution system, cleaned out many of the mains and services that were clogged with sand, replaced all non-operative meters and installed new meters on all premises formerly on flat rate service. The small purification plant built several years ago for the Enes water system is to be maintained for standby purposes.

As the Bureau of Reclamation reserves the right to discontinue canal water source temporarily for short periods of time for cleaning and repairs, it is necessary for applicant to maintain the present wells and pumping equipment for emergency use.

The present rates in effect for the Enes Water Company and the Orbisonia Water Company are identical. The Enes system rates were established by the Commission's Decision No. 27194, dated July 9, 1934, and the Orbisonia rates by Decision No. 35559, dated July 7, 1942. The meter rates now in effect provide for an allowance of 500 cubic feet of water at a monthly minimum charge of \$1.50 for a 5/8-inch meter, with charges for additional use reduced successively through three blocks to 15 cents per 100 cubic feet for all use in excess of 1,000 cubic feet. Applicant asks that a schedule of rates be established that will provide for a monthly minimum charge of \$2 for a 5/8-inch meter with an allowance of 500 cubic feet of water, the charges for additional use being reduced successively through five blocks to 15 cents per 100 cubic feet for all use over 10,000 cubic feet.

The establishment of monthly fire hydrant rentals is also requested. For a company-owned hydrant smaller than four inches, or a four-inch main or larger, a \$3 monthly charge is requested. For a four-inch hydrant on a six-inch or larger main the requested charge is \$3.50 monthly. For consumer-owned hydrants the proposed monthly charge is 50 cents less in both instances. Applicant desired to withdraw all present established flat rate charges.

Mr. Bernard Enes, President of the Enes Water Company, testified that the combined capital investment of the two combined systems as of December 31, 1947, was \$161,236. He estimated the total operating revenue for the year 1948 to be \$33,110, and operating expenses to be \$26,210, providing a net revenue of \$6,900, before

taxes. The witness testified that the combined systems were rendering service to 601 metered consumers and a United States housing project of 84 apartments served through a four-inch meter.

A report covering the results of a field investigation of the operations of the combined systems was presented by Commission engineers. The report also includes an appraisal of the physical properties of the Enes Water Company which has been consolidated with an appraisal of the Orbisonia Water Company system prepared by Commission engineers in May, 1945, in connection with an appraisal made in Application No. 27126. This appraisal was not presented at the hearing in that proceeding as applicants withdrew their request for a rate adjustment. In utilizing this appraisal in the consolidation of fixed capital of both systems in the present proceeding, certain unnecessary items were deducted and the depreciation expense and depreciation reserve requirements modernized. The reported estimated fixed capital of the Orbisonia Water Company system is given as \$21,089, the depreciation expense computed by the 5% sinking fund method is shown as \$519, and the depreciation reserve requirement as \$3,865. The estimated fixed capital of the Enes Water Company system is shown as \$146,235, depreciation expense as \$2,270, and depreciation reserve requirements as \$6,436. The total estimated capital of the combined systems is given as \$167,324. Depreciation expense is reported as \$2,789, and depreciation reserve requirements as \$10,301. The Commission engineers estimated the average annual operating expense under requested rates to be \$20,215, which includes a 5% sinking fund annuity of \$2,790, and a tax expense of \$4,585. The requested rates are expected to yield \$24,498. The net rate of return on this basis was estimated to be 2.56%. Under the present rates the rate of return is estimated to be 0.48%. It is expected that the rate of return shown will be materially increased in the

near future as the territory formerly serviced by the Orbisonia system is expected to develop rapidly now that satisfactory water service is available in the area.

Mr. Paul Mikuls, representing himself and other consumers formerly receiving service from the Orbisonia system, appeared at the hearing to protest the granting of an increase in rates for the service rendered. However, when the report presented by the Commission's staff was introduced showing the requested rate increase to be only 20.2%, Mr. Mikuls withdrew his objection.

The figures presented above indicate clearly that this utility must receive greater revenue if it is to be in a financial position to meet its operating expenses and the expected demands for extensions of water service to new consumers.

The schedules of rates and charges proposed by the applicant in this proceeding will be authorized in the Order which follows this Opinion.

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, the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by the Enes Water Company, a corporation, for water delivered to its customers residing in an unincorporated area located approximately three miles west of the city of Pittsburg, Contra Costa County, are unjust and unreasonable in so far as they differ from the rates herein established; 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 further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Enes Water Company be and it is hereby authorized to file in quadruplicate with the Public Utilities Commission of the State of California, in conformity with this Commission's General Order No. 96, within thirty (30) days from the effective date of this Order, the following schedule of rates to be charged for all water service rendered on meter readings on and after August 1, 1948.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In an unincorporated area located approximately three miles west of the city of Pittsburg, Contra Costa County.

RATES

Minimum Charges:

Per Meter
Per Month

For 5/8 x 3/4 inch meter	\$ 2:00
For 3/4 inch meter	3.00
For 1 inch meter	4.00
For 1 1/2 inch meter	5.00
For 2 inch meter	6.00
For 3 inch meter	8.00
For 4 inch meter	12.00

Each of the foregoing monthly minimum charges will entitle the consumer to that amount of water which the monthly minimum charge will purchase at the following quantity rates:

Quantity Rates:

For first 500 cubic feet, or less	2.00
Next 500 cubic feet, per 100 cubic feet	.30
Next 2000 cubic feet, per 100 cubic feet	.25
Next 7000 cubic feet, per 100 cubic feet	.20
Over 10000 cubic feet, per 100 cubic feet	.15

IT IS HEREBY FURTHER ORDERED as follows:

1. That the schedules of flat rates heretofore filed by the Enes Water Company and the Orbisonia Water Company for unmeasured water service rendered to their customers in the area herein above described shall be cancelled by appropriate tariff filing coincident with the filing of the above schedule.

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Schedule No. 2

FIRE HYDRANT CHARGES

	<u>Consumer- Owned Per Month</u>	<u>Company- Owned Per Month</u>
For a hydrant smaller than four inch on a main four inches or larger	\$ 2.50	\$ 3.00
For a four inch hydrant on a six inch main or larger	3.00	3.50

Note: Hydrants to be installed and maintained by the company.

2. That Enes Water Company, a corporation, 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.
3. That Enes Water Company, a corporation, 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 13th day of July, 1948.

Justus J. Galloway
Joseph J. Pierce
Harold P. Hills

Commissioners