

Decision No. 43002**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 JAMES J. DOWNEY, doing business under
 the firm name and style of INVERNESS PARK
 WATER COMPANY, for authority to adjust
 and simplify its rate structure.

Application No. 26910

Karl Brooks, for applicantO P I N I O N

James J. Downey, doing business as Inverness Park Water Company, owns and operates a water works in the community of Inverness Park in Marin County, and in the above-entitled application, asks authority to adjust and simplify rates by establishing meter rates. At the first public hearing before Examiner Edwards at Point Reyes Station, Marin County, on December 17, 1948, the applicant filed an amended application seeking authority to raise rates by 60% to 83%. Several customers appeared and objected to applicant's proposal, claiming that the quality of water and type of service did not warrant such an extensive increase. The matter was submitted for decision December 17, 1948.

In reviewing the record, the Commission took especial notice of the customers' complaints of inadequate service and set aside the submission and reopened the matter for further hearing in order to be more fully informed regarding applicant's plans for improving the service. Further hearing was held on March 18, 1949, when the matter was finally submitted for decision.

The area served is located about one mile west of the town of Point Reyes Station. This small water system derives its water supply from a group of springs located in ravines above the service

area. Water is conveyed by gravity through approximately 3,000 feet of 1½-inch and two-inch pipe into a 30,000-gallon redwood storage tank. A supplementary supply is obtained from a small stream tributary to Lime Kiln Gulch Creek. The water from this stream is delivered to a 2,000-gallon wooden tank and then pumped into the main storage tank. During the past dry season it was necessary to install a small gasoline-driven pump below the springs to augment the water supply. Distribution is by gravity through approximately 7,500 feet of mains, varying from one to two inches in diameter. There are 66 customers now being served, all on a flat rate basis.

Applicant claims that recent increases in cost of labor, material, supplies, transportation and taxes are causing an out-of-pocket loss on this system. Furthermore, he claims that past revenues have been insufficient to pay full costs of labor and maintenance with nothing left to cover depreciation and return. Maintenance is handled on a part-time basis by the superintendent who also cares for Mr. Downey's four other water systems. The principal item of increase in cost is the superintendent's salary, from \$300 to \$350 per month, of which 19.4% is charged against this system. The company's business office is in Penngrove and the increase in cost of transportation for the superintendent is also involved. Taxes have probably shown the largest percentage increase and are up from \$37.69 in 1947, to an estimated \$121.80 for 1949, or 223% increase.

Mr. Downey estimated his future annual expenses, exclusive of return on investment, at \$2,015.64. He believes that he should be allowed a return on a capital figure of \$9,485.04, which, at a 5% rate, amounts to \$475.25. His claimed total annual expense of \$2,489.89 represents a very high unit annual cost per customer of \$37.73 on the basis of 66 customers.

Mr. C. F. Norris, an engineer in the Hydraulic Division, presented a report covering the operations of this system which showed the results of operation for the years 1943 to 1947 as set out in the annual reports filed with the Commission, as estimated for 1948 at present rates; and for 1949 and the immediate future at requested rates. This information is shown in the following table:

	1943 ^a	1944 ^b	1945 ^b	1946 ^b	1947 ^c	Estimated Present Rates 1948 ^c	Estimated Requested Rates 1948
Fixed Capital	5,780	5,780	7,598	7,740	8,210	8,588	8,588
Operating Revenues	798	624	915	944	884	975	2,000
Operating Expenses	381	1,377	973	1,157	2,332	1,450	1,535
Net Operating Rev.	417	(753)	(58)	(213)	(1,448)	(475)	465
Rate of Return	-	-	-	-	-	-	5.41%
Number of Customers	46	53	57	56	56	66	66

(Red figure)

- a. Operated by Granucci, predecessor in interest.
- b. Operated by Porter & Downey, predecessors in interest.
- c. Operated by Downey, present owner.

Mr. C. F. Norris differed with Mr. Downey as to the allocation of the superintendent's time and transportation costs to this system. He believed that a total of \$50 per month for these two items was adequate for the needs of the system. Mr. Norris' total estimate for future annual expenses was \$1,450, exclusive of return.

In the original application, a base meter rate of \$2 per month minimum was proposed. The supplemental application requested a seasonal flat rate of \$24 per year, a permanent residence flat rate of \$33 per year (\$2.75 per month), and corresponding meter rates with minimum charges at these or higher levels. The proposed meter rates contained charges for water that varied from a rate as high as \$1 per 100 cubic feet down to 20 cents per 100 cubic feet.

At the first hearing, several customers complained of inadequate water pressure in the late summer months, and occasional mud, silt, rust, or scale in the water. At the second hearing, Mr. Downey answered these complaints by stating that meters will be placed on services where wastage of water is indicated which should result in better and increased distribution of water in late summer months; that mains will be extended along certain streets to improve pressure conditions where several customers are connected to a single individual service pipe, but customers would have to pay the cost of changing service pipes on their own property; that the muddy condition of the water could be corrected by rescheduling pump operation hours during the rainy weather; and that silt, rust, or scale in the water could be removed by cleaning and flushing the tanks and mains.

Several additional customers appeared at the second hearing, in opposition to the proposed rate increase. Mr. W. C. Koenig, president of the local improvement club, testified that he felt some rate increase was proper if the members were given an adequate amount of clear water. He stated that a raise to \$2 per month was probably a fair figure, but that those who use water for irrigation should pay an additional irrigation charge because this class of service consumes most of the water under flat rates. He stated the pipes were mostly very old and too small in size, and that the service could be improved by installing galvanized pipes of proper size. He said the average customer wants adequate water service and is willing to pay the fair costs connected with a first class system. Another customer, Mr. James A. Rice, testified that the system should have a sedimentation tank. Mrs. Kathleen Blanchard, testified that she had no water when the pump was not operating, that the system should have a better pump, and that the pipe lines should be enlarged. She did not object to increased rates if the system is improved and good water service is furnished.

When asked as to his plans to improve the system and satisfy these complaints, Mr. Downey stated that correction of all of the causes of complaints would cost so much that it would be uneconomic on this small system and raise the rates to such a high level that the customers would refuse to pay for service. He thought that by proper operation of the pump, cleaning and flushing the distribution system the service could be improved, but claimed that even this method would add considerably to the annual expenses of operation, which he estimated at an additional \$244 per year.

The problem of keeping rates at a fair level on a small system such as this, in face of postwar price increases, and still show a reasonable return on the investment, is difficult. Most small systems of this kind are operated by a local resident or by the owner on a part-time basis. By so doing there is a responsible party locally available to handle complaints and maintain continuous service at a minimum cost. None of these conditions is present in the instant case. The owner is a non-resident of Marin County and showed a complete lack of detailed familiarity with the layout of the system, method of operation and maintenance, and type of service being rendered. The superintendent's office is located 25 miles away in Penngrove, resulting in unreasonable cost of transportation and time spent in travel.

The evidence shows that there are a number of customers maintaining considerable garden and lawn areas for which no additional charge is made, and that their use of water depletes the stored supply during the middle of the week resulting in poor service over the week ends when the maximum demand for water occurs. This condition can be corrected, as suggested by applicant, by the installation of meters, which will prevent excessive waste and extravagant use of water, thereby improving the service to the remaining customers with a corresponding increase in revenues.

The existing inadequate facilities and unsatisfactory conditions indicate that the customers are entitled to better service. The improvements required include facilities for flushing the mains; the installation of larger mains in those sections of the distribution system where existing lack of main capacity prevents delivery of a sufficient volume of water to meet the essential, necessary and reasonable customer requirements; the installation of a screening and sedimentation tank or basin of not less than 100 gallons capacity at the upper springs and another of the same capacity at the lower stream diversion; the installation of meters on the service connections of customers using large and above-average quantities of water; and, the installation of a separate or individual service connection to each and every premise served.

Taking all of these facts into consideration, the Commission believes that the applicant is entitled to relief to stop out-of-pocket loss, but concludes that the rates requested have not been justified.

The rate schedule established in the following order is premised upon applicant making the necessary improvements set forth above, in intake and distribution facilities and the installation of meters on the premises of those customers who use larger quantities of water for lawn and garden irrigation or other purposes, than the average flat rate customer. The measurement of water to the larger users will provide additional revenues upon the more equitable basis of customer quantity demand.

Under such circumstances, the yield of the new schedule of rates cannot be determined with definiteness at this time, but only through trial and actual experience. The gross revenues, however, will be increased substantially and will prevent out-of-pocket loss, at the same time providing a net yield in excess of the anticipated

reasonable cost of operation and maintenance, the amount of said yield depending primarily upon the efficiency of the operating practices and management policies adopted and put into effect by applicant.

In view of the urgency of the installation of the above-mentioned improvements and the satisfactory operation thereof, the Commission may find it necessary to reopen the instant proceeding for the purpose of inquiring into the sufficiency and the adequacy of the service.

O R D E R

James J. Downey, doing business as Inverness Park Water Company, having applied to this Commission for an order authorizing increases in rates, a public hearing having been held and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases authorized herein are justified; therefore,

IT IS HEREBY ORDERED that applicant be authorized and directed to file in quadruplicate with this Commission within twenty (20) days after the effective date of this order in conformity with the Commission's General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, to be charged for all water service rendered to customers after said effective date.

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

Dated at San Francisco, California, this 14th day of

June, 1949.

R. F. Indurain
Justice F. Casper
Walter Kameco
Harold P. Hule
Agnes M. Pottler
Commissioners

Schedule No. 1

PERMANENT RESIDENTS FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished to permanent residents on a flat rate basis.

TERRITORY

In and in the vicinity of the subdivided area known as Inverness Park.

RATES

	<u>Per Month</u>
For each residence, including an irrigated area not in excess of 300 square feet	\$2.25
For additional irrigation of lawn, shrubs, garden or trees, per month throughout the year; per 100 square feet03

SPECIAL CONDITION:

1. Meters may be installed at option of utility or customers for above classifications, in which event service will thereafter be rendered only on the basis of Schedule No. 3, Permanent Residents Meter Rates.

Schedule No. 2

SEASONAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service rendered on a seasonal flat rate basis.

TERRITORY

In and in the vicinity of the subdivided area known as Inverness Park.

RATES

For seasonal flat rate service, from March to October, inclusive, for residential use, including an irrigated area not in excess of 300 square feet, payable on the first day of March of each year . . \$20.00 per Season

For additional irrigation of lawn, shrubs, garden or trees during the season or year, per 100 square feet.36 per Year

For each additional off-season month from November to March for residential use 1.75 per Month

SPECIAL CONDITION:

1. Meters may be installed at option of utility or customers for above classifications, in which event service will thereafter be rendered only on the basis of Schedule No. 4, Seasonal Metered Service.

Schedule No. 3

PERMANENT RESIDENTS METER RATES

APPLICABILITY

Applicable to all water service furnished to permanent residents on a measured basis.

TERRITORY

In and in the vicinity of the subdivided area known as Inverness Park.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:	
First 400 cubic feet or less	\$2.00
Next 600 cubic feet, per 100 cubic feet40
Next 1,000 cubic feet, per 100 cubic feet35
Over 2,000 cubic feet, per 100 cubic feet25
Monthly Minimum Charge:	
For 5/8 x 3/4-inch meter	2.00
For 3/4-inch meter	2.50
For 1-inch meter	3.50
For 1 1/2-inch meter	5.50

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

Schedule No. 4

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to all water service rendered on a seasonal measured basis.

TERRITORY

In and in the vicinity of the subdivided area known as Inverness Park.

RATES

Minimum Charges:

Annual Charge payable on the first day of March of each year and entitling the customer to a maximum of 300 cubic feet of water per month, March to October, inclusive \$18.00

Monthly Minimum Charge for each additional off-season month from November to March 1.50

Monthly Quantity Charge:

Per Month

For all water used in excess of 300 cubic feet per month, the following quantity rates shall apply:

First	300 cubic feet, included in annual charge	
Next	100 cubic feet, per 100 cubic feet50
Next	600 cubic feet, per 100 cubic feet40
Next	1,000 cubic feet, per 100 cubic feet35
Over	2,000 cubic feet, per 100 cubic feet25