

ORIGINAL

Decision No. 43044

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF  
 JOSEPH A. MOORE and ARLIE S. MOORE,  
 HIS WIFE, FOR AN ORDER AUTHORIZING  
 INCREASE IN RATES THAT APPLICANTS  
 MAY CHARGE USERS OF WATER.

Application No. 29998

T. B. Scott for applicants.O P I N I O N

Joseph A. and Arlie S. Moore, doing business as the Joseph A. Moore Water Company, own and operate a water works in an unincorporated area immediately south of the City of Modesto, within the County of Stanislaus. The above-entitled application was filed on January 25, 1949, seeking authority to establish an increased schedule of rates. A public hearing on this application was held before Examiner Edwards at Modesto on April 22, 1949.

Water facilities consist of three drilled wells, two 10-hp pumps, one 15-hp pump, a 4,000-gallon steel pressure tank, and 19,480 feet of distribution mains. The wells vary in depth from 87 to 99 feet, and pumps are deep well turbines. A second pressure tank is in the process of being installed. Distribution mains vary in size from one to six inches. There are 251 customers served by these facilities, of which 236 are charged on a flat rate basis.

Applicants are requesting that the present flat rate of \$2 per month per dwelling be raised to \$2.50 per month and that the meter rate minimum be raised from \$1.50 to \$2.50 per month for the smallest size. Corresponding increases are requested for larger meter sizes and other flat rate services, but they are not asking for higher

quantity rates. Applicants are also requesting that a 10% penalty clause be included in the rates where customer fails to pay the bill by the tenth of the month.

In substantiation of the need for these increases, Mr. Moore testified that unit costs of material are up 50% and labor up 100% since June, 1945. He further testified that during the year 1948 his financial statement showed a loss of \$101.49. His costs of delivering water have increased; and in view of the fact that the nearby City of Modesto water system raised its rate to \$3 per month, he thought his proposed rate increase was fair.

In order to learn what effect the proposed rates would have on the earnings of the system, Mr. V. R. Muth, an engineer in the Hydraulic Division of the Commission's staff, made a study of the operations of this system. He found that the new rates would move the rate of return from 1.36% to 6.32% on the basis of the 1948 level of business. In his report, which was presented in evidence, he did not confirm Mr. Moore's statement that 1948 operations showed a loss. Mr. Moore also conducts a real estate brokerage business, and after making proper segregation of costs of operating the utility, a net revenue of \$306 was shown for 1948.

Mr. Moore is in the process of extending his system to the east into a newly subdivided area.<sup>1/</sup> Included in the rate base is some \$7,113 of capital for this extension. If \$4,492 extension advance deposit is deducted, there is left \$2,621 capital on which Mr. Moore does not expect to earn a full return during the developmental stage of the tracts. If this amount is deducted from the rate base of \$22,473.

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<sup>1/</sup> See Application No. 29997 before this Commission for certificate of public convenience and necessity to extend system.

a rate of return of over 7% is shown on the proposed rates. The results of Mr. Muth's investigation reveal the need for some rate increase, but not to the extent requested by applicants. Applicants' requested meter minimum charges for the larger sizes of meters and the quantity rates are too low in proportion to requested flat rates. Meter rates will be adjusted to bring them in balance with the level of flat rates being established by the order herein.

Only one customer, Mrs. J. Kleihauer, came forward at the hearing to testify and complain regarding the proposed rate increase. She thought a flat rate of \$2.30 per month would be more fair. However, her main complaint was that there was no fire hydrant close to her house. Another customer, Mr. Wayne Dankenbring, was present in the audience, but did not enter a direct complaint in the record. He said that his complaint would just be a duplicate of that given by Mrs. Kleihauer. Mrs. Kleihauer was questioned as to the characteristics of the service. She said that the water was clean, although occasionally there was a little sand in the water; there was no odor; the pressure was good; and the water did not have a disagreeable taste.

Mr. Moore answered the complaint regarding the fire hydrants by stating that the nearest fire hydrant was 600 feet away, but the County Fire District had a 1,000-foot hose which would reach her place. In case that Mrs. Kleihauer and her neighbors desired another hydrant, Mr. Moore said that he could install it for them for a price of \$75. The utility's policy has been to give free fire hydrant service where the hydrants are installed by the property owners.

An inquiry was made as to why the utility did not charge for fire hydrant service. Mr. Moore stated that this area is in a County Fire District and that some 18 to 20 hydrants are connected to this system. Where the hydrant capital has been supplied by others, he thought that a reasonable charge might be 25 cents per month. Mr. Muth

stated that a more proper charge would be 75 cents to \$1.50 per hydrant per month. Before leaving this subject, Mr. Moore agreed to bring this matter to the attention of the County Fire District, so as to arrive at a fair rate for fire hydrant service that will relieve the customers' rates of this burden. A proper set of fire hydrant service rates could keep residential rates down as much as ten cents per customer per month.

From a review of the record, the Commission believes that the rates requested by the applicants would yield an excessive return.. However, the applicants are entitled to certain relief and the order herein will provide for rates which will increase revenues approximately \$1,180 annually, resulting in a rate of return of 5.7% on the rate base. Future revenue from fire hydrants should bring this return up to an approximate 6.0% level.

With regard to the problem of inserting a 10% penalty clause in the rates for slow payment of bills, the Commission believes that such a clause is unnecessary and discriminatory against the person who normally pays bills on time but might occasionally slip a day or two over the deadline. In order to improve payment time, the utility should act strictly in accordance with its rules and promptly shut off customers who disregard the rules and delinquency notices.

#### O R D E R

Joseph A. and Arlie S. Moore, doing business as the Joseph A. Moore 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 is authorized to file in quadruplicate with this Commission 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, and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after the 1st day of August, 1949.

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

Dated at San Francisco, California, this 28<sup>th</sup> day of June, 1949.

R. E. Johnson  
Justice J. G. Galloway  
Harold P. Kelle  
Kenneth W. Latta  
Commissioners.

Schedule No. 1

FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished at flat rates.

TERRITORY

The unincorporated area adjacent to the south corporate limits of Modesto, Stanislaus County, which is bounded by Franklin Avenue on the west, Robertson Avenue on the south, Sunset Avenue on the east and South Avenue on the north; and in addition lots numbered 56 to 63, inclusive, of First Addition to Sunset Acres.

RATES

	<u>Per Month</u>
(1) First dwelling, house or other single residential unit of five rooms or less, including an irrigated area of not over 5,000 square feet of lawns, gardens, shrubbery or trees . . . . .	\$ 2.40
(2) Each additional residential unit of five rooms, or less, and bathroom, taking service through the same connection . . . . .	1.25
(3) Each additional room over five in any residential unit . . . . .	.10
(4) For irrigation of grounds planted to lawns, gardens, shrubbery and trees in excess of the 5,000 square feet included in the residential rate, payable six months of the year, (May to October, both inclusive) per 100 square feet . . . . .	.05
(5) For each window-box type air cooling unit, in addition to the residential rate, a charge may be made during the months of use which will be considered as the months of May, June, July, August, and September, except when the customer notifies the utility as to the months during the above period in which the unit will not be in service, provided the unit is disconnected during such months:	
Circulating type . . . . .	.25
Non-circulating type . . . . .	.50
(6) Dairying establishments including water for drinking, washing, and sterilizing purposes, first five animals, or less . . . . .	1.00
Each additional animal cared for . . . . .	.20

SPECIAL CONDITIONS

1. All service not covered by the above classifications, will only be furnished on a metered basis.
2. Meters may be installed at option of utility or customer for above classifications, in which event service will thereafter be rendered on the basis of Schedule No. 2, Metered Service.

Schedule No. 2

METERED SERVICE

APPLICABILITY

Applicable to all water service furnished at meter rates.

TERRITORY

The unincorporated area adjacent to the south corporate limits of Modesto, Stanislaus County, which is bounded by Franklin Avenue on the west, Robertson Avenue on the south, Sunset Avenue on the east, and South Avenue on the north; and in addition lots numbered 56 to 63, inclusive, of First Addition to Sunset Acres.

RATES

Monthly Minimum Charge:	Per Meter Per Month
For 5/8 x 3/4-inch meter. . . . .	\$ 2.00
For 3/4-inch meter. . . . .	2.50
For 1-inch meter. . . . .	3.00
For 1 1/2-inch meter. . . . .	5.00
For 2-inch meter. . . . .	8.00

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

Monthly Quantity Rates:

First 1,000 cubic feet, or less . . . . .	2.00
Next 3,000 cubic feet, per 100 cubic feet. . . . .	.15
Next 6,000 cubic feet, per 100 cubic feet. . . . .	.12
Over 10,000 cubic feet, per 100 cubic feet. . . . .	.10