

ORIGINAL

Decision No. 42414

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION of
 A. A. SCHWARZ and SALLIE E. SCHWARZ,
 doing business as DEL RIO WATER
 COMPANY, for Order authorizing increase
 of water rates to consumers.

Application No. 30034

John A. Condit, for applicant.O P I N I O N

A. A. Schwarz and Sallie E. Schwarz, doing business as the Del Rio Water Company, own and operate a water works in the tract known as Del Rio Woods on the Russian River, located about two miles east of the city of Healdsburg, in Sonoma County, California. The above-entitled application was filed on February 3, 1949, seeking authority to establish an increased schedule of rates. A public hearing on this application was held before Examiner Edwards at Healdsburg on June 15, 1949.

This water system was originally installed in 1917 by the subdividers of the tract known as Del Rio Woods. In 1927, Del Rio Properties, Ltd. acquired the water system, along with all unsold lots in the tract, from the original promoters. Applicants herein were authorized by Commission Decision No. 27718, Application No. 19658, dated February 4, 1935, to acquire this property. Since acquisition, the system has grown in size from 93 to 141 customers. Originally the customers were primarily of the summer or seasonal type, but lately many reside in the area on a year-round basis. Applicants claim that for the past eight years this water system has been operating at either a loss on the level of rates established back in 1935, or not providing an adequate return on the investment.

Facilities for the production and distribution of water consist of a well, pumps, a spring, storage tanks, chlorinator, and main and service pipes. The well is located adjacent to the Russian River and is ten inches in diameter and 40 feet deep. Pumping is accomplished by a 3-hp electric motor-driven turbine pump and a 5-hp displacement pump. These pumps are used alternately depending upon the height of the river. Water is pumped into a 1,600-gallon redwood tank where it is sterilized by chlorine from a proportional-feed chlorinator. From this tank, water flows into a nearby 5,000-gallon distribution tank, and then into the lower distribution system, consisting of a mile of three-inch down to one-inch distribution main in the lower zone. There is also connected to this lower service zone a 10,000-gallon balancing tank which is fed by a small spring.

The upper zone distribution system consists of 1½ miles of 2½-inch down to one-inch main pipe. This upper system is fed by a higher 1,600-gallon redwood tank with water pumped up from the lower zone by another 3-hp electric motor-driven turbine pump. A 4,000-gallon equalizing tank is connected to the upper distribution mains. The upper zone supplies 46 customers and the lower zone serves 95 customers.

Applicants' operation and maintenance expenses appear quite reasonable as the system is operated by part-time employees. Labor costs amount to \$800 per year. The manager, Mr. A. A. Schwarz, charges \$300 per year for his services. Pumping, purification, insurance, office supplies, and miscellaneous expense extend the total operating and maintenance expense to an estimated \$2,065 for the year of 1949. Taxes amount to \$220 and depreciation annuity another \$309. The total expense exclusive of return on investment for 1949 is estimated at \$2,524 or a unit per customer cost of \$17.90. If a 5% return is allowed on the rate base, a unit per customer cost of approximately \$22 per customer per year results.

Since the war, expenses have increased faster than the revenue from sales to new customers under the old rate level. Also the shift of so many of the seasonal customers to the permanent year-round type customers has considerably increased the annual pumping expense.

At the hearing, interest in the proposed rate increase was manifested by several customers, some of whom presented statements for the record. The major objection to the rate increase was of a general nature predicated upon general economic conditions. Specific points included the objection that the rates to the seasonal user were high based on actual water usage; that improved service and more fire hydrants are desired even if higher rates are necessary; that all services should be metered so as to spread the costs more equitably in proportion to use; and that monthly, rather than annual, billing is preferred.

In analyzing the record in this proceeding and in reaching a conclusion as to rates for the future, these objections will be given due consideration. Users have benefited in that rates were not increased during the period of rising costs, while applicant was showing losses. Rate inequities are apparently due to the growth of year-round customers, but seasonal customers must stand a proper portion of annual fixed charges irrespective of the use of water with proper allowance for any savings in such variable costs as energy for pumping and billing expense.

Complaint was received regarding low pressure, but no complaint was made as to the quality of water. Applicants plan to replace some small pipe with larger pipe during the next year, or reconnect certain low-pressure customers with the higher system in order to improve general service conditions. The budget calls for an expenditure of approximately \$3,000 during the next year in order to improve service and serve new customers.

An engineer of the Commission's Hydraulic Division, Mr. Ed F. Catey, introduced in evidence at the hearing, a report covering the results of operation indicating that for 1949, at present rates, the utility will show a loss of \$274. On the basis of applicants' requested \$21 annual flat rate, the net revenue would be about \$550 a year and would show a rate of return of 4.2% on a \$13,300 rate base.

From a review of the record, the Commission believes that the applicants require higher rates if the system is to be placed on a sound financial basis and needed improvements financed. The single flat rate proposed by applicants does not equitably spread the costs among the various types of users. Accordingly, both seasonal and monthly rates are being prescribed by the order herein, which rates are estimated to increase annual gross revenues by \$950 and result in a rate of return of about 4½% on the rate base for the 1949 level of business.

O R D E R

A. A. and Sallie E. Schwarz, doing business as Del Rio 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 applicants are 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 12th day of July, 1949.

R. Z. [unclear]
Justice J. C. [unclear]
James [unclear]
Harold [unclear]
Samuel [unclear]
Commissioners

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In and about the subdivision known as Del Rio Woods, located approximately two miles east of the city of Healdsburg, Sonoma County.

RATES

Monthly Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 300 cu. ft. or less included in minimum charge.	
Next 700 cu. ft., per 100 cu. ft.	\$ 0.40
Next 1,500 cu. ft., per 100 cu. ft.30
Over 2,500 cu. ft., per 100 cu. ft.20

Annual Minimum Charge:

	<u>Per Meter</u> <u>Per Year</u>
Applicable to all summer resort or non-permanent residents.	
For 5/8 x 3/4-inch meter.	\$20.00

Monthly Minimum Charge:

	<u>Per Meter</u> <u>Per Month</u>
Applicable only to bona fide permanent residents.	
For 5/8 x 3/4-inch meter.	\$ 1.80

The annual or monthly minimum charge will entitle the customer to 300 cubic feet per month. Quantities used over the first 300 cubic feet in any month will be billed at the monthly quantity rates and is additive to the minimum charge.

SPECIAL CONDITIONS

1. The above annual minimum charge for summer resort or non-permanent residents applies to service during any portion of the calendar year and is payable semi-annually in advance; \$10.00 on or before January 1, \$10.00 on or before July 1.

2. A permanent resident may elect to pay the \$20.00 annual minimum charge for a 5/8 x 3/4-inch meter in full on January 1 of each year, in lieu of the regular \$1.80 monthly minimum charge.

3. When the minimum charge is paid annually or semi-annually in advance, charges for water used in excess of the amount allowed under the minimum charge may be billed monthly, bi-monthly, quarterly, or semi-annually at the option of the utility.

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate domestic water service.

TERRITORY

In and about the subdivision known as Del Rio Woods, located approximately two miles east of the city of Healdsburg, Sonoma County.

RATES

Per Year

Annual Charge:

Applicable to all summer resort or non-permanent residents. \$21.00

Monthly Charge:

Per Month

Applicable only to bona fide permanent residents. . . \$ 1.90

SPECIAL CONDITIONS

1. The above annual charge for summer resort or non-permanent residents applies to service during any portion of the calendar year and is payable semi-annually; \$10.50 on or before January 1; \$10.50 on or before July 1.
2. A permanent resident may elect to pay the \$21.00 annual charge in full on January 1 of each year, in lieu of the regular \$1.90 monthly charge.
3. A meter may be set and Schedule No. 1 applied at the option of the utility whenever excessive use or waste seems to warrant such action, or whenever a permanent resident requests a meter.