

ORIGINAL

Decision No. 43209

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of MRS. J. M. VINCENT doing business  
as the CERES WATER WORKS, to in-  
crease rates, Ceres, Stanislaus  
County, California.

Application No. 30148

Ralph Brown for applicant.O P I N I O N

Mrs. J. M. Vincent, doing business as the Ceres Water Works, owns and operates a water system serving the city of Ceres, in Stanislaus County. The above-entitled application was filed on March 21, 1949, seeking authority to establish an increased schedule of rates. A public hearing on this application was held before Examiner Edwards at Ceres on July 7, 1949.

Facilities for the production and distribution of water consist of three wells with 15-hp pumps, a 55,000-gallon steel tank elevated to an average height of 100 feet, and approximately 38,980 feet of distribution mains varying in size from 1½ inches to six inches in diameter. A fourth well has recently been completed and tested and is in operation with a 7½-hp centrifugal pump and motor. In time, the 7½-hp pump will be replaced with a 15-hp pump as the demand grows. All water is pumped directly into the mains with the 55,000-gallon tank connected directly to a main and floating on the line to maintain uniform pressure. Service is rendered to approximately 500 customers, 60% of whom are supplied at meter rates.

Applicant is requesting that the present flat rate of \$1.50 per month per dwelling be raised to \$2 per month, and that the meter rate minimum be raised from \$1.50 to \$2 per month for a 5/8 x 3/4-inch

meter. A charge of \$3 per month is proposed for a one-inch service connection, whereas formerly rates were set for only 3/4-inch service connection. Request is also made for establishment of minimum charges for meters in excess of 3/4 inch up to as large a size as six inches at a rate of \$25 per month. The quantity rates requested by applicant would increase the meter revenue by about 60% when proposed changes in blocking are considered.

In substantiation of the need for these increases, applicant's witness testified that the costs of labor and materials have both approximately tripled since 1934. Prior to the death of Mr. Vincent in 1944, the business was run as a family affair, and proper charges were not placed on the books for all of the labor the family expended. Mr. Anthony L. Vincent, son of the owner, is now manager of the system and has been charging only \$400 per month for his time to manage, operate, maintain, and repair, and for his wife's time to keep the books for the utility. Applicant contends that the utility should be allowed at least \$825 per month to cover these services. Applicant's annual reports since 1944 have not shown an adequate return on the investment.

In order to learn what effect the proposed rates would have on the earnings of the system, 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 increase the rate of return from 4.97% to 13.85% on the basis of the 1948 level of business. For the estimated year 1949, the rate of return would increase from 3.44% to 11.92%. The lower rate of return estimated for 1949 is in part due to an increase in system facilities and capital, and in part to an increase of approximately \$1,400 in annual operating expenses.

At the hearing, interest in the proposed rate increase was manifested by several customers, some of whom presented statements for the record. Mr. Carl H. Barham, councilman of Ceres, read a letter

from the City of Ceres which complained that the Ceres Water Works has an inadequate water system with mains too small to give a sufficient volume of water. The city council is opposed to any raise in rates until such time as the Ceres Water Works installs mains and laterals of sufficient diameter to furnish the people of Ceres with sufficient water at all times. One customer substantiated the city's complaint and told of low pressure during a week of exceedingly hot weather. A former customer, who is a plumber and now has his own water system, testified that the water pressure was insufficient, and that the increase requested for meter rates was out of balance with respect to the flat rates.

Applicant's witness answered these complaints by stating that for a time it was necessary to have certain pumps disconnected while the telephone company and power company were rearranging circuits. This was particularly noticeable during the recent period of hot weather; however, the work is now completed and pressures are higher. The utility's budget contemplates replacing several 1½-inch mains with three-inch mains during this year. Plans are also under way to replace the 7½-hp pump with a 15-hp pump. A total of \$9,000 is to be expended this year for these new facilities, which should improve the service.

In analyzing the record in this proceeding, and in reaching a conclusion as to rates for the future, the objections of the customers, as well as applicant's required improvements, will be given due consideration. Users have benefited in that rates were not increased during the period of rising prices since 1944, and from the fact that prior thereto full expenses of operation were not reflected in the annual reports. In order to finance the required system improvements, it is necessary that the earning position of this utility be improved at this time.

The record shows that there are many small mains serving the outlying areas which should be replaced as the number of consumers has increased in many cases to the point where the pressure drops considerably during periods of maximum use. The objection submitted by the city of Ceres in the form of a resolution is justified in certain areas; however, the central and major portion of the water system appears to be adequate. The company has been replacing many small mains, and the plan outlined for future improvements is evidence that it will continue to enlarge these overloaded pipe lines. To completely replace all mains as contemplated by the city's request would unduly increase the rate base at present day costs for material and labor. This in turn would require higher rates from all users and appears an uneconomic way to improve service in these outlying areas.

It is concluded that the rates requested by applicant would yield an excessive return. However, the applicant is entitled to certain relief, and the order herein will provide for rates which will increase revenues approximately \$3,100 annually, resulting in a rate of return of 6.25% on the rate base for the 1949 level of business. The rates set forth in the following order will increase the average bill under the meter rates by 18.5% and the flat rate bills by about 33%.

#### O R D E R

Mrs. J. M. Vincent, doing business as the Ceres Water Works, 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 in rates 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 first day of October, 1949.

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

Dated at San Francisco, California, this 16<sup>th</sup>  
day of August, 1949.

R. T. [Signature]

[Signature]

[Signature]

Commissioners.

Schedule No. 1

METER RATES

APPLICABILITY

Applicable to all measured water service.

TERRITORY

In and in the vicinity of the city of Ceres in Stanislaus County.

RATES

Per Meter  
Per Month

Monthly Minimum Charges

For 5/8 x 3/4-inch meters .....	\$ 1.75
For 3/4-inch meters .....	2.25
For 1-inch meters .....	3.00
For 1 1/2-inch meters .....	5.00
For 2-inch meters .....	8.00
For 3-inch meters .....	12.00
For 4-inch meters .....	18.00
For 6-inch meters .....	25.00

Monthly Quantity Charges

First 7,500 gallons or less .....	1.75
Next 22,500 gallons per 1,000 gallons .....	0.14
Over 30,000 gallons per 1,000 gallons .....	0.10

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable only to water furnished on a flat rate basis to residences.

TERRITORY

In and in the vicinity of the city of Ceres in Stanislaus County.

RATES

	<u>Per Month</u>
One Residence:	
For 3/4-inch service connection .....	\$2.00
For 1-inch service connection .....	3.00
Additional Residence on one service:	
For first additional unit .....	.80
For second additional unit .....	.60
For each additional unit over two .....	.50

SPECIAL CONDITION

Meters may be installed at the request of any customer or at the option of the utility and thereafter service will be rendered only under Schedule No. 1.