

ORIGINAL

Decision No. 43335

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
NEWMAN WATER WORKS COMPANY for an  
order authorizing them to increase  
rates charged for water at Newman,  
Stanislaus County.

Application No. 30410

W. H. Dobrzensky, for applicant.O P I N I O N

Newman Water Works Company, a privately owned utility, operates a water system which serves the city of Newman, in Stanislaus County. The above-entitled application was filed on June 20, 1949, seeking authority to establish an increased schedule of rates. A public hearing on this application was held before Examiner Edwards at Newman on August 29, 1949.

Facilities for the production and distribution of water consist of three drilled wells equipped with electrically operated turbine pumps, a 100,000-gallon steel tank mounted on a 100-foot steel tower, and approximately 29,000 feet of distribution mains varying in size from one to six inches in diameter. All water is pumped directly into the mains with the 100,000-gallon tank connected directly to a main and floating on the line, to maintain uniform pressure. Service is rendered to approximately 469 customers, of which 160 are metered and 309 are flat-rate customers.

Applicant is requesting that the present basic flat rate of \$1 per family plus \$1 for a small lot be raised to \$2.25 for house and lot, and that the basic meter rates be raised from 25 cents per 1,000 gallons to 44 cents per 1,000 gallons, but not increasing the present

monthly minimum charge of \$2. In addition, corresponding increases or changes are sought in the other flat rates now in effect, some 40 in number, and in the meter rate minimums for sizes of 1½ and two inches. At the hearing, an amended set of flat rates was submitted by the applicant to be considered as part of Exhibit "C" of the application. It is substantially the same as the proposed rates except that some additional business place rates were added. Also, the proposed rates would simplify the present rates by reducing the number of flat rates from 41 to 21. The rates requested by applicant would increase meter rates by 31% and flat rates by 36%.

In substantiation of the need for these increases, applicant's witness testified that rates have been at their present level since 1913 and that costs have risen to the point where the utility is not earning an adequate return on its investment. Prior to the death of the present operator's father, Mr. L. Dobrzensky, 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. Also, adequate and full capital and expense records were not maintained. Mr. W. H. Dobrzensky is now the operator for the estate which owns the system and has been charging only \$400 per month for his time to manage, operate, and help maintain and repair the system, including his wife's time to handle the billing for the utility. A maintenance and repairman is paid \$200 per month. Accounting costs the utility \$30 to \$50 per month and is handled by an outside accountant. Applicant's accountant testified that the work performed by Mrs. Dobrzensky is worth at least \$75 per month and higher rates are needed to pay this expense.

In order to learn what effect the proposed rates would have on the earnings of this system, an engineer in the Hydraulic Division of the Commission's staff, Mr. Clyde F. Norris, made a study of the operations of this system and presented a copy of his report in

evidence as Exhibit No. 1. He found that the proposed rates would increase the rate of return from 4.87% to 13.78% on the basis of the 1948 level of business. However, because of the inadequate capital records prior to 1944, he stated the capital appeared low for a system with 30,000 feet of distribution main and actual earnings, therefore, are probably less than shown. However, the engineer did not recommend the full increase requested by applicant.

At the hearing, interest in the proposed rate increase was manifested by several customers, some of whom presented statements for the record. Principal concern of the customers was the relation between the flat rates and meter rates. One customer stated that if all customers were metered, the bills would increase, and expenses decrease, so that she could see no need for a rate increase at this time. Another testified that any increase in meter rate might cause a loss in business because small wells and domestic pressure systems would prove more economical. Another customer could not afford to have a garden on the present meter rates, but stated that all services should have meters in order to eliminate discrimination.

Applicant's witness answered these complaints by stating that meters would save only on power bills, but meter reading expenses would increase and might possibly require the services of another man. The Commission's engineer took an opposite view and said that metering of all customers would save wastage of water, conserve a vital natural resource, and should eventually work out to the benefit of all customers.

In analyzing the record in this proceeding, and in reaching a conclusion as to the rates for the future, the objections of the customers as well as applicant's financial status 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

full expenses of operation have not been charged. In order to finance the installation of meters and the removal of pipe dead ends in the south part of the system, it is necessary that the earning position of this utility be improved in order to finance necessary system betterments. The Commission is of the opinion that the system be metered within a reasonable period of time.

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 net revenues approximately \$2,800 annually, resulting in a rate of return slightly in excess of 6½%, on an estimated rate base of \$49,344.

#### O R D E R

Newman Water Works 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 in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED as follows:

1. 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, a schedule of rates shown in Exhibit A attached hereto, and, on not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after November 1, 1949.
2. That applicant within forty (40) days from the effective date of this order shall file with this Commission four copies of a suitable map or sketch drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon by distinctive markings the boundary of applicant's present service area and the location thereof with reference to the immediate surrounding territory, provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or portion thereof.

3. That applicant within forty (40) days after the effective date of this order shall file four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch delineating by appropriate markings the various tracts of land and territory served and the location of various properties of applicant.

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

Dated at San Francisco, California, this 27<sup>th</sup> day of September, 1949.

Justin F. Cravener  
Harold P. Russell  
Harold P. Kula  
Kenneth P. Potter  
Commissioners.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

For all water service rendered on a measured basis.

TERRITORY

In and in the vicinity of the incorporated town of Newman, Stanislaus County.

RATES

Monthly 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 .....		5.00
For 1 1/2-inch meter .....		7.50
For 2-inch meter .....		10.00

Each of the foregoing "monthly minimum payments" will entitle the customer to the quantity of water which that minimum monthly payment will purchase at the following quantity rates:

Quantity Rates		Per Meter Per Month
First 800 cubic feet or less .....		\$2.00
Next 2,200 cubic feet, per 100 cubic feet .....		.20
Next 7,000 cubic feet, per 100 cubic feet .....		.175
Over 10,000 cubic feet, per 100 cubic feet .....		.15

Schedule No. 2

FLAT RATES

APPLICABILITY

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

TERRITORY

In and in the vicinity of the incorporated town of Newman, Stanislaus County.

RATES

Per Month

(1) Each residence on lot 25' x 150' .....	\$2.10
(2) Each additional half lot 12½' x 150' .....	.40
(3) Duplex, each half .....	2.25
(4) Garages .....	3.50
(5) Business houses	
(a) First 25-foot frontage .....	1.25
(b) Each additional 25-foot frontage .....	.80
(6) Warehouses, mills, plants, paint shops, lumber yards .....	2.00
(7) Restaurants .....	7.50
(8) Combination ice cream parlor and light lunch .....	4.00
(9) Bakeries .....	5.00
(10) Cleaning establishments .....	3.50
(11) Blacksmith, welding, plumbing, sheet metal, auto repair shops ..	2.50
(12) Drug store exclusively .....	2.50
(13) Apartment house, for each apartment .....	2.00
(14) Rental house or apartment on same lot as residence, each rental ..	2.00
(15) Business house, with living quarters .....	2.50
(16) Pool hall .....	2.00
(17) Photographers, dental office, beauty shop, barber shop .....	2.50
(18) Hotel and bar .....	5.00
(19) Living quarters in connection with any business .....	1.00
(20) House, two lots and social hall .....	4.45
(21) Taps (not capped, on vacant lots) .....	1.25
(22) Fire hydrants .....	2.25

SPECIAL CONDITIONS

1. Building and plastering water used by plasterers, bricklayers, sewer flushing, water taken from standpipes and water required for any purpose not herein specified shall be at regular meter rates.

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