

Decision No. 42455**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 INDEPENDENCE WATER COMPANY, a
 corporation, to adjust rates for
 water service at Independence,
 California

Application No. 30353

Independence Water Company by Jess G. Sutliff;
 Owens Valley Unified School District by
Henry C. Riley, Superintendent, and R. V. Phillips,
 Member, Board of Trustees; City of Los Angeles,
 Department of Water and Power, by Sidney L. Parratt,
 Engineer; County of Inyo by John P. Murray,
 District Attorney.

O P I N I O N

Independence Water Company, by the above-entitled application filed May 25, 1949, requests authority to establish an increased schedule of rates for water service to inhabitants and customers in the town of Independence and vicinity, in Mono County. A set of proposed higher flat rates and optional meter rates is contained in the application and marked Exhibit "C". A public hearing on this application was held before Examiner Edwards at Independence on September 13, 1949.

Facilities for the production and distribution of water consist of diversion wiers on Independence Creek, a settling basin, a 405,000-gallon storage reservoir, a chlorinator, and approximately 35,185 feet of transmission and distribution mains varying in size from 16 to 3/4 inches in diameter. The storage reservoir is located about 1/2 mile from town at an elevation approximately 150 feet above the town. The company claims a right to a continuous flow of 55 miner's inches from the waters of Pinon and Little Pine Creeks measured under four-inch pressure. Service is rendered to approximately 250 customers, all of whom are now supplied at flat rates.

Applicant requests that the present basic flat rate for a residence be raised from \$2 to \$3.25 per month, that the meter minimum rate for 5/8 x 3/4-inch meter be raised from \$2 to \$3 per month, and that the quantity rates be raised by three to five cents per 100 cubic feet. Corresponding or larger increases are requested in the other categories of flat rates, and the larger sizes of meter rates. The rates requested by applicant would increase its revenue by approximately 85% per annum based on the company figures.

In substantiation of need for these increases, applicant's witnesses testified that the unit costs of labor and materials have approximately doubled since the present rates were established by Commission Decision No. 34636 dated September 3, 1941, under Application No. 23701.

A majority of the stock of the company is owned by the Baxter family, pioneers in the community, while the City of Los Angeles owns over a third of the stock. Whereas formerly the business was operated by the family without full reflection of labor cost on the books of applicant, recently the company has employed a manager at a cost of \$200 per month, a part-time bookkeeper at \$25 per month and a part-time collector at \$40 per month to help. Members of the family still retain the offices of president, secretary and treasurer of the corporation, and charge salaries of \$55, \$75 and \$125 per month, respectively, for their services.

Applicant's consulting engineer, Mr. Everett L. Clark, testified that the future average annual operating expense is \$11,556 and that the proposed rates will yield a net return of only 3.9% on a \$60,000 rate base.

The Commission staff engineer, Mr. J. D. Reader, made an independent study of the operations of this system. He estimates that the 1949 revenue at the present rates will be \$7,628, compared with the utility's estimate for an "average year" of \$7,556.

Reasonable future operating expenses are estimated by the Commission's engineer at approximately \$8,300, including \$665 for depreciation expense, which is about \$3,200 lower than the estimate of over \$11,500 submitted by the company for its future operations. One of the differences centers on proposed salaries of \$520 per month for the maintenance and operation of the system. It appears to the Commission that the proposed salary schedule is higher than reasonable for a system of this size, and an estimated expense allowance for 1949 of \$8,300 is considered adequate.

Applicant presented an appraisal of its properties prepared by its consulting engineer which was based upon original cost and showed a total of \$57,202 as of December 31, 1948. Using the appraisal prepared by a Commission engineer in 1940 for those properties which remain in service, the Commission engineer brought the 1940 appraisal up to date, from recorded net additions and betterments as shown by the company books, with a resultant total as of December 31, 1948, amounting to \$54,351. Applicant's presentation shows a rate base of \$60,000 including estimated 1949 additions, materials and supplies and working cash as compared with a rate base of \$62,200 determined by the Commission's engineer.

Using the revenue, expense and rate base figures from the Commission engineer's report, as adjusted herein, the rate of return would be increased to 7.6% at the applicant's proposed rates for the year 1949.

At the hearing, interest in the proposed rate increase was manifested by several customers, some of whom presented statements for the record. The City of Los Angeles, which buys water service for its local shop, warehouse and yard, appeared through its engineer, Mr. Sidney Parrott. He did not oppose some increase, but pointed out the proposed increase to the City was \$38.80 on a \$21 bill, which

6

percentagewise is 185% and is considerably greater than to the residential users. Mr. R. V. Phillips, member of Board of Trustees, appeared for the Owens Valley Unified School District, and stated while he considered some increase justified, that if the rate were set too high the school district could save by installing its own pumping systems. Mr. John McMurray, District Attorney, appeared for the County of Inyo, Board of Supervisors, and stated the increase appeared exorbitant for service to the courthouse, jail and hydrants. Mr. Fred Schaefer, owner of the Winneduna Hotel, objected to an increase in his present monthly bill of \$7 to \$22.75, as proposed, and stated it should not be much more than \$12. He stated that a wash rack across the street uses more water than his hotel and the relative rates appear unfair.

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 present financial condition, will be given due consideration.

It is concluded that the rates requested by applicant would yield an excessive return. However, the applicant is entitled to some relief and rates will be established in the order following, designed to provide a return of approximately 6%, providing an increase of \$4,400 a year.

While the applicant's proposed rate classification is generally followed in the order herein, the schedules have been reduced in many instances. The meter minimum is set at \$2.50 per month instead of \$3, and the basic residence flat rate is set at \$3 instead of \$3.25 per month. Garden irrigation charges will be made on a six-month basis. In the case of the Owens Valley School District, it appears that the combined services are equal in area to a single four-inch service; therefore, the same \$25 charge that is being set for the courthouse

and jail through a four-inch service will be prescribed, to which the irrigation charge will be added during the six summer months.

The charges to the City of Los Angeles should also be based on the various uses of the water supplied. A minimum charge of \$8 per month will be established for the two-inch connection serving the ten-acre storage yard. Application of the flat rates on the above basis should result in a basic charge of less than \$40 per month to the City of Los Angeles for all water used, to which an additional charge would be applied during the six summer months for garden irrigation.

The utility requested permission to discontinue free service to two properties on which deeds provide the right to tap the mains of the utility in exchange for water rights in Little Pine and Pinon Creek waters. Without further facts the Commission is at this time unable to determine this issue. This subject should be brought before the Commission at a later date when all affected parties can appear and be heard.

In the prayer of the application the Commission is asked to determine the fair book value of the properties. Applicant presented no testimony in support of this request, other than the general allegation that its books do not reflect all of the labor and other costs of construction. If applicant desires to adjust its fixed capital and depreciation reserve accounts, it should file with the Commission its proposed entries to carry such adjustment into effect. The Commission will not at this time make any determination of the amounts which, in its opinion, should be recorded on applicant's books as the cost of its properties.

O R D E R

Independence 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 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, 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 December 1, 1949.

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

Dated at San Francisco, California, this 1st day of November, 1949.

R. J. [Signature]
Justice F. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners.

Schedule No. 1

METER RATES

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Entire area of service within and in the vicinity of Independence, Inyo County, California, as shown on the map included with the rates, rules and regulations on file with the Commission.

RATES

Minimum Charges:	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter	\$2.50
For 3/4-inch meter	3.00
For 1-inch meter	4.00
For 1 1/2-inch meter	5.50
For 2-inch meter	8.00
For 3-inch meter	14.00
For 4-inch meter	20.00

Quantity Rates:

First 1,000 cubic feet or less	2.50
Next 9,000 cubic feet, per 100 cubic feet . . .	.20
Next 15,000 " " " 100 " " . . .	.15
Over 25,000 " " " 100 " " . . .	.10

The minimum charge will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the quantity rates.

Schedule No. 2

FLAT RATES - GENERAL

APPLICABILITY

Applicable to household, domestic and commercial water service furnished for a fixed periodic charge based on the number of units or facilities served.

TERRITORY

Entire area of service within and in the vicinity of Independence, Inyo County, California, as shown on the map included in the Tariff Schedules of Company.

RATES

Per Month
Per Unit or
Per Facility

The following flat rates, except as noted, are for water service furnished from a single service connection, one-inch standard pipe or copper tubing of equivalent area, supplying water from a distribution main to adjoining property of customer.

A. Monthly Flat Rates

- | | |
|--|-----------|
| (1) For a single family residence, including garden irrigation on lots not to exceed 50' x 150' or 7,500 sq. ft. | \$3.00 |
| Over 7,500 sq. ft., per 100 sq. ft. of irrigated area - May 1 to October 30 | .02 |
| (2) For each additional residence or separate family living quarters on same premises and under the same control or ownership | 1.50 |
| (3) For each duplex, triplex, flat or apartment building, including garden irrigation: | |
| (a) First residence unit and land area charges same as single family residence | (1) above |
| (b) Second and each additional residence unit | 1.50 |
| (4) For each retail store, market, bakery, confectionery shop, printing establishment billiard or pool hall, drugstore, theatre, hardware, furniture, lumber yard and similar business establishments, minimum | 3.00 |
| (5) For vegetable fountain spray equipment, per spray outlet head | .10 |
| (6) For soda fountains, or cocktail bars, in connection with other business, each | 1.50 |
| (7) For each air conditioner unit utilizing water for cooling, and not less than three months, | |
| (a) Water recirculating type | .25 |
| (b) Non-recirculating type | .50 |

(Continued)

Schedule No. 2

FLAT RATES - GENERAL (Continued)

	Per Month Per Unit or <u>Per Facility</u>
(8) For each frozen food processing and storage locker plant, minimum	\$3.50
(9) For each swimming pool, per 100 cubic feet of water capacity, during months when used . . . . .	.25
(10) For each beauty or barber shop, minimum	3.00
(a) Additional for each chair in excess of two . . . . .	.50
(b) Additional for each public bath or shower	1.00
(11) For each restaurant, cafe, coffee shop or public eating place having capacity to seat twenty, or less, persons at one time, alone or in connection with other business, minimum	4.00
(a) Additional for each seat in excess of 20. . . . .	.15
(b) Additional for each combination sink and dishwasher . . . . .	.25
(12) For each dormitory, bunkhouse, guest house or bachelor living quarters having eight (8), or less, rooms for men or women, minimum	2.50
(a) For each additional room in excess of eight . . . . .	.25
(13) For each hotel, motel, or auto court according to any combination of the following units or facilities, minimum	4.00
(a) Each kitchen or kitchenette	1.00
(b) Each room or cabin with bath . . . . .	.75
(c) Each room or cabin with wash basin . . . . .	.50
(d) Each room or cabin without water. . . . .	.25
(e) Each public toilet, stall urinal, bathtub or shower	1.00
(f) Each clothes washing machine	1.00
(g) Garden irrigation, May 1 to October 30, per 100 sq. ft. . . . .	.02
(14) For each trailer court or trailer camp according to any combination of the following units or facilities, minimum.	3.00
(a) Cabins or rooms or kitchens, same as for hotels or motels	(13) above
(b) Each outside garden type faucet . . . . .	.35
(c) Each public toilet, stall urinal, bathtub or shower	1.00
(d) Each clothes washing machine	1.00
(15) For each office building, upon the basis of 500 square feet of floor area equals one office or room, and according to any combination of the following units, minimum	3.00
(a) Each office or room without a wash basin or running water in the room . . . . .	.25
(b) Each office or room with wash basin . . . . .	.50
(c) Each toilet, stall urinal, bathtub or shower	1.00
(d) Irrigation by sprinkling of lawn, shrubs, trees and garden, per 100 square feet of gross area planted, May 1 to October 30 . . . . .	.02

(Continued)

Schedule No. 2

FLAT RATES - GENERAL (Continued)

	<u>Per Month Per Unit or Per Facility</u>
(16) For offices occupying a separate building or separate space in a commercial office building where each office has separate water service facilities installed, and according to any combination of the following:	
(a) Each real estate, legal, insurance or similar business	\$1.50
(b) Each medical, dental, laboratory or similar business	2.50
(17) For the United States Post Office building and facilities, minimum	2.50
(18) For each machine shop or warehouse according to any combination of the following units, minimum	3.00
(a) Each toilet, urinal, or shower	1.00
(b) Each tap or outlet . . . . .	.50
(19) For each commercial garage, publicly or privately owned or operated, and upon the basis of the car storage capacity at 150 square feet per car; first five, or less, car storage space units, minimum	3.50
(a) For each additional car storage space unit . . . . .	.10
(20) For each gasoline service station, minimum	3.50
(a) Additional for a repair shop in connection . . . . .	.50
(b) Additional for each wash rack	1.00
(21) For each dairy, first twenty-five (25) head, or less, of dairy livestock	7.00
(a) Additional for each cow or animal in excess of twenty-five (25) head . . . . .	.15
(22) For the high school, elementary school, gymnasium, kindergarten and other school buildings and facilities of the Owens Valley Unified School District occupying about 13.7 acres, more or less, of land bounded by East Market Street, South Clay Street, East Pavilion Street and Rosedale Drive, Independence; which school grounds will be furnished water from only four two-inch diameter service connections, or from only a single four-inch diameter service connection, minimum	25.00
(a) Additional charge for irrigation May 1 to October 30, per 100 square feet . . . . .	.02
(23) For the Inyo County Court House and county jail occupying some 95,000 square feet of ground area, which court house and grounds will be furnished water from only a single 4-inch service connection, minimum	25.00
(a) Additional charge for irrigation, May 1 to October 30, per 100 square feet . . . . .	.02
(24) For water hauled in tanks or containers furnished and transported by the customer from a location specified by company:	
(c) First 500 gallons, or less, minimum . . . . .	.25
(b) Over 500 gallons, per 100 gallons . . . . .	.03

Schedule No. 2

FLAT RATES - GENERAL (Continued)

	<u>Per Month Per Unit or Per Facility</u>
(25) In all cases where a service connection of larger diameter, or more than one service connection of like diameter, is requested by a customer and his request can be approved by the company, the customer shall pay as additional charges for each and all such additional services an amount equal to the sum of the monthly minimum charges for meters of a comparable size as set forth in Schedule No. 1, "Metered Rates."	
(26) For each and all other classes of domestic or commercial service, the metered water service rates shall be applicable.	
B. <u>Annual Flat Rates:</u>	<u>Per Annum Per Unit or Per Facility</u>
(1) For irrigation by sprinkling of lawn, shrubs, trees and gardens on otherwise vacant lots without a residence,	
(a) First 2,000 square feet, or less, of gross area planted	\$5.00
(b) Over 2,000 square feet, per 100 square feet of gross area planted. . . . .	.12
(2) For each horse or livestock corral, first 25 head, or less, minimum	15.00
(a) Additional for each horse or animal in excess of 25 . . . . .	.50
(3) For cemetery at East Pavilion Street and South Clay Street.	12.00
(4) For Masonic Lodge Hall on Lot 3, Block 13, Independence	24.00
(5) For American Legion Hall on Lot 2, Block 33, Independence.	24.00
(6) For Women's Club House on Lot 11, Block 27, Independence	18.00
(7) For Pioneer Memorial Church on Lot 2 and the parsonage on Lot 4, in Block 20, Independence	20.00
(8) For the city park on Lots 9 and 11, Block 22, Independence.	24.00
(9) For the City of Los Angeles for six sewer flushing connections	36.00

(Continued)

Schedule No. 2

FLAT RATES - GENERAL (Continued)

	<u>Per Annum Per Unit or Per Facility</u>
(10) For Independence airport when use of water is limited to domestic purposes at and in the immediate vicinity of the hangars and caretaker's cottage, minimum	\$24.00
(11) For the ball park when use of water is limited to domestic purposes at and in the immediate vicinity of the bleachers or playing field and for a period of not exceeding four months during the spring or summer season, minimum	24.00

SPECIAL CONDITIONS

1. A meter may be installed on any flat rate service at the option of the company or of the customer, and Schedule No. 1 "Meter Rates" is then applicable.

Schedule No. 3

FLAT RATES - SPECIAL

APPLICABILITY

Applicable to flat rate water service for construction work.

TERRITORY

Entire area of service within and in the vicinity of Independence, Inyo County, as shown on the map included in the tariff schedules of company.

RATES

- (1) For water for settling backfill in ditches and trenches:
 - (a) per cubic foot of excavation per lin. ft. of trench \$0.001
 - (b) minimum charge per lineal foot of trench01
 - (c) minimum charge per service connection or job 1.00
- (2) For water used for mixing concrete, all types of building construction, including water for curing, per barrel of cement15
- (3) For water for cement street curbing construction, per 100 lineal feet of curbing30
- (4) For water for sidewalk construction, per 100 square feet of sidewalk25
- (5) For water for brick construction purposes, including wetting brick, per 1,000 brick laid25
- (6) For water for plastering interior building walls, per 100 square yards of plastered surface35 *etc*
- (7) For water for all other building purposes using lime, per barrel of lime15
- (8) For water for settling graded streets of average width, per 100 lineal feet 1.00
- (9) For use of a fire hydrant by a contractor or builder, when applicable ordinances and rules and regulations of the County of Inyo permit such use, not including water service; per hydrant connection 1:00
- (10) All consumers of every class using water in large or variable quantities shall be served and charged for the service in accord with the applicable metered service rates.

Schedule No. 4

FIRE HYDRANT RATES

APPLICABILITY

Applicable to fire protection service supplied a duly organized Inyo County fire protection district or similar body or organization, and to private fire sprinkler systems within buildings and private fire hydrants on the premises to be served.

TERRITORY

Entire area of service within and in the vicinity of Independence, Inyo County, as shown on the map included in the tariff schedules of company.

RATES

Per Month

(1) County Fire Protection District Hydrants:

Any type fire hydrant owned, installed and maintained at the expense of the district:

(a) 6-inch x 2½-inch double outlet, each	\$3.00
(b) 5-inch x 2½-inch single outlet, each	2.50
(c) 4-inch x 2½-inch single outlet, each	1.50
(d) Hydrants on mains of less than 4-inch diameter	1.00

(2) Private Fire Protection Hydrants:

Any type fire hydrant owned, installed and maintained by the customer and located within his building or premises:

(a) Less than 1½-inch size, each . . . . .	.50
(b) 1½-inch size, each . . . . .	.75
(c) 2-inch size, each	1.00

(3) Private Fire Sprinkler Systems within Buildings:

For each direct connection from a main to a private fire sprinkler system within a building:

(a) 1½-inch connection, or 6 sprinkler heads	3.00
(b) 2-inch connection, or 10 sprinkler heads	4.50
(c) 2½-inch connection, or 24 sprinkler heads	9.00
(d) 3-inch connection, or 36 sprinkler heads	10.50
(e) 4-inch connection, or 72 sprinkler heads	18.00
(f) For each sprinkler head in excess of 72 . . . . .	.20

SPECIAL CONDITIONS

1. Use of all fire hydrants or fire sprinkler systems is limited to fire fighting purposes by authorized persons and fire fighting apparatus.

2. A written agreement may be required before service under this schedule is obtainable.