

Decision No. 43568

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
THE ESCALON WATER AND LIGHT COMPANY
for an Order Authorizing an Increase
in Present Rates.

Application No. 30524

Bush and Ackley by David F. Bush and
Leo Milich, for applicant.

O P I N I O N

The Escalon Water and Light Company, a California corporation, by the above-entitled application filed July 25, 1949, requests an order of the Commission authorizing an increase in water rates to customers and inhabitants located in and adjacent to the unincorporated town of Escalon, San Joaquin County, California. Sets of proposed higher flat and meter rates are attached to the application and marked Exhibits C-1 and C-2. A public hearing on this application was held before Examiner Edwards on November 4, 1949, at Escalon, California. At the hearing, applicant requested amendment of the application with regard to additional increase in certain categories of flat rates and meter rate minimums and the deletion of certain obsolete items appearing in the schedule, such as Ball Team and Planing Mill.

Applicant requests authority to increase its present basic residential flat rate from \$1.50 to \$2.50 per month and the meter rate minimum charge for 5/8-inch and 3/4-inch meters from \$1.25 and \$1.75, respectively, to \$2.50. Applicant also requests equivalent or larger increases in some 21 other categories of monthly flat rates, three seasonal rates, and minimum charges on meters of sizes larger than 3/4 inch.

Facilities for the production and distribution of water consist of two drilled wells, a 3,000-gallon pressure tank, a 60,000-gallon tank mounted on a 70-foot steel tower, and approximately 30,000 feet of distribution main varying in size from one to six inches in diameter. Well No. 1 is equipped with a deep well turbine pump direct-connected to a 25 hp electric motor which pumps water directly into the distribution mains. The 60,000-gallon tank floats on the line to maintain pressure. Well No. 2 is equipped with a deep well turbine pump direct-connected to a 15 hp electric motor which delivers water into the 3,000-gallon pressure tank. This tank operates automatically at pressures ranging from 20 to 38 pounds per square inch. There were 442 customers served by this system as of September 1, 1949, six being on metered rates and 436 on flat rates.

Applicant's president, Wm. F. Stroble, acquired control of the corporation in 1948, through purchase of outstanding stock. He testified that there has been no change in rate levels since the rates were set in 1925, and that in this interval the unit cost of material and labor has increased considerably. During the war years, adequate sizes of pipes were not available to make system extensions and it was necessary to use any material that could be found. In certain instances it was necessary to install one-inch mains. The utility is now faced with the problem of replacing several of these small mains with larger mains in order to improve service. An investment of \$5,000 has been made in a new pumping station to improve service, and additional investments must be made.

Applicant's accountant, Paul A. Ekholm, presented a statement of ten months' operation during 1949, which showed a net operating income of \$421.22. He also furnished a chart of the net revenues during the past 15 years, which indicated that since 1947 the utility has not been earning an adequate return. The accountant works part time in

checking the records kept by the utility, and receives \$25 per annum for his services. He stated that the utility's books should be kept in more detail and brought up to the standards required by the uniform classification of accounts prescribed by this Commission. An appropriate allowance will be made for that purpose.

In order to learn what effect the proposed rates would have on the earnings of this utility, Clyde F. Norris, a Commission hydraulic engineer, made a study of this system. The report was introduced in evidence at the hearing as Exhibit No. 4. This study showed that applicant was not earning an adequate return under present rates. However, subsequent to the hearing, the engineer advised that revenues from irrigation charges by inadvertence had been omitted. Revised estimates of revenue and expenses for 1949 are \$10,650 and \$9,500, respectively. Under the proposed rates, these figures would be \$16,060 and \$10,500, respectively. On a \$52,400 rate base, the rate of return would increase from 2.2% at present rates to 10.6% at the requested rates.

At the hearing, interest in the proposed rate increase was manifested by several customers, some of whom presented statements for the record. Mrs. Lucy Bacigalupi complained that the proposed \$2.50 rate is too high for a four-room house. The rate schedule now provides for only a six-room house, and she requested that the Commission give consideration to a lower rate for smaller houses. Mr. H. C. Robertson complained regarding service, stating that there are nine houses on a one-inch main and during peak-use hours pressure drops too low. This is one of the smaller sizes of mains which the company proposes to change.

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 earning position, have been given due consideration. Flat rates are being adjusted and categories combined wherever

practicable so as to simplify the schedules as much as possible. Metered service is preferable to flat rate service in order to stop wastage of water, thus conserving a vital resource, and to eliminate discrimination between customers which are in the same classification but exhibit varying quantity usage characteristics. Continuance of flat rates may require additional capital outlays for more pumping plants that should not be necessary under metered service. However, capital outlay is required for metering. A progressive program of metering the system should be undertaken, starting with the commercial customers. Applicant's rules and regulations also should be revised and brought up to present standards of the Commission.

It is concluded that the rates requested by applicant would yield an excessive return. However, the applicant is entitled to some relief, and the order herein will provide for rates which will increase revenue approximately \$3,100 annually, resulting in a rate of return slightly in excess of 6% on a \$52,400 rate base. The rates set forth in the following order will increase the revenues approximately 30%, as compared with the 50% increase sought.

O R D E R

Escalon Water and Light Company having applied to this Commission for an order authorizing certain increases in rates and charges, 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. 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 January 1, 1950.

2. Applicant, within forty (40) days from the effective date of this order, shall file with this Commission four sets of revised rules and regulations governing customer relations, each set of which shall contain a suitable map or sketch drawn to an indicated scale upon a sheet $8\frac{1}{2}$ 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 of establishment of the dedicated area of service or portion thereof.
3. 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 29th day of November, 1949.

R. F. Johnson
James J. Galloway
David F. Russell
Harold P. Kula

Commissioners.

Schedule No. 1

MONTHLY FLAT RATESAPPLICABILITY

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

TERRITORY

In and in the vicinity of the town of Escalon, San Joaquin County, California.

RATES

	<u>Per Month</u>
1. Residences with bath and toilet	\$2.00
Each additional customer on a service.....	1.25
2. All business houses	2.50
Except the following:	
3. Cement works	10.00
4. Confectionery stores and ice cream parlors	3.00
5. Garage	3.00
6. Hotels or lodging houses, ten rooms or less	3.50
Each additional room25
7. Office with water service	1.50
8. Pool hall with soda fountain and ice cream parlor	3.00
9. Restaurants, chop houses, bars	5.00
10. Santa Fe Railway	17.50
11. Self-serve laundry, six machines or less	4.50
Each additional machine75
12. Service stations	3.00
13. Schools, per room	2.00
14. Tidewater and Southern Railway	15.00
15. Cows and horses, each15
16. Church	1.50
17. Court room	2.50
18. Hospital	7.50
19. Motel, first unit	2.00
Each additional unit	1.25
20. Lawn and garden sprinkling and irrigation during months of actual use per 100 sq. ft. of surface irrigated05

SEASONAL FLAT RATES

1. Fire hydrants, per year, each	3.00
2. Packing houses, per season	10.00
3. Club house, per year	18.00

SPECIAL CONDITIONS

Meters may be installed at the option of utility or customer.

Schedule No. 2

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water rendered on a measured basis.

TERRITORY

In and in the vicinity of the town of Escalon, San Joaquin County, California.

RATES

Per Meter
Per Month

Monthly Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 1.75
For 3/4-inch meter.....	2.25
For 1-inch meter.....	3.50
For 1 1/4-inch meter.....	5.00
For 2-inch meter.....	10.00
For 3-inch meter.....	20.00
For 4-inch meter.....	30.00

The Minimum Charge will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the following Quantity Rates.

Monthly Quantity Rates:

700 cubic feet or less.....	1.75
Next 800 cubic feet, per 100 cubic feet.....	.22 1/2
Next 1500 cubic feet, per 100 cubic feet.....	.20
Next 7000 cubic feet, per 100 cubic feet.....	.15
All over 10,000 cubic feet, per 100 cubic feet...	.12