

Decision No. 44046**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 BERTHA S. HAMILTON Owner of the
 Inverness Water Works For an order
 increasing annual flat rate.

Application No. 30886

Chickering and Gregory by W. G. Pattee,
 for applicant.

O P I N I O N

Bertha S. Hamilton owns and operates a water system under the fictitious name and style of Inverness Water Works in the unincorporated town of Inverness, in Marin County. This application was filed on December 29, 1949, seeking authority to establish an increased schedule of rates. A public hearing was held before Examiner MacKall at Inverness on March 31, 1950.

The Inverness Water Works serves an area of approximately 150 acres of rolling wooded hills and extends for about one mile along the westerly shore of Tomales Bay. There are 256 active service connections, 129 of which are metered.

The water system originally was installed between 1890 and 1900 by Mrs. Julia Shafter Hamilton, mother of the present owner, to furnish water to a portion of the townsite of Inverness, being a subdivision of a portion of her extensive ranch properties. Immediately subsequent to 1913, a major portion of the original distribution system was replaced and extended.

The present sources of water are small perennial streams in ravines above the service area. Water from the highest stream diversion is stored in the 10,000-gallon Tenny Tank and serves 35 consumers in the

higher elevations of the service area. Excess water from the Tenny Tank overflows into four 10,000-gallon storage tanks, collectively called the Colby Tanks. This diversion and storage system is located in First Valley.

Water from two diversions in the ravine lying immediately to the north, known as Second Valley, is stored near the points of diversion in two 10,000-gallon tanks located a few feet higher in elevation than the Colby Tanks. This water is delivered mainly to consumers below Second Valley, but under present operating conditions is of little practical benefit to the First Valley consumers since the storage tanks do not provide sufficient elevation to deliver adequate water into the main Colby Tanks.

The present rates, which were established by this Commission in its Decision No. 6576, issued August 16, 1919, in connection with Application No. 4652, and those proposed by applicant are set out below:

Classification	Present	Proposed
Flat rate, annual charge	\$15.00	\$27.50
Meter rate, annual minimum charge (Allows 600 cu. ft. each month)	15.00	27.50
Meter rate, quantity charge, per 100 cu. ft.	.25	.25

Mr. Herbert K. Brainard, a civil engineer, and the general manager of the Inverness Water Works, testified that he had spent approximately \$21,000 in capital improvements during the last four years and that the total system investment amounted to \$41,108 as of December 31, 1949. He testified further that operations during 1948 suffered a net loss of \$383 and that the net loss for 1949 was \$1,154. This witness estimated that under present rates the utility would incur a deficit of \$1,501 for 1950 and under the proposed rates would realize less than \$100 in net revenue if the new rates do not become effective until May 1 of this year.

A report on the capital investment and general system operations was presented in evidence by Ed. F. Catey, one of the Commission's engineers, and is summarized as follows:

Classification	Assuming Full Year	
	Under Present Rate	Under Proposed Rate
Operating revenues	\$ 4,688	\$ 7,880
Operating expenses, excluding taxes and depreciation	3,900	3,900
Taxes	690	1,020
Depreciation (straight-line)	1,350	1,350
Total operating expenses	5,940	6,270
Net operating revenue	(1,252)	1,610
Depreciated rate base	28,400	28,400
Rate of return	Loss	5.7%

(Red Figure)

The evidence shows that upon the basis of the figures presented in the above report, the utility would realize net revenues of less than \$800, or a rate of return of 2.8%, in the event the proposed rates become effective on May 1, 1950, and 2.0% if not until June 1 of this year. It is clear, therefore, that applicant is entitled to an increase in rates.

Mr. Brainard testified that the present water system is in immediate need of several improvements in order to provide more adequate water service to the consumers, and stated that it was the intention of the owner to use a major portion of any revenues realized for the installation of these improvements. The program presented by the general manager included:

1. Installation of a new 2-inch line from Vision Road to the 4-inch main on Forres Way, estimated cost \$1,968
 2. Renew overflow from Tenny Tank to Colby Tanks with 900 feet of 3-inch pipe, estimated cost 760
 3. Renew a portion of the Barrel intake line, estimated cost 537
 4. Installation of a 10,000-gallon tank near the present Tenny Tank, estimated cost 718
- Total estimated cost of improvements 3,983

From the evidence presented, it appears that the new storage tanks were installed below the diversion structures in Second Valley at an elevation only a few feet higher than the elevation of the Colby Tanks. This makes it impossible to deliver any substantial amount of the surplus water from Second Valley to the Colby Tanks without the installation of a booster pumping plant. The amount of water available from Second Valley is much greater than that from First Valley; consequently, a considerable, much needed, surplus is wasted to a large extent through existing inability to reach the Colby Tanks. The Commission's engineer recommended installation of a small booster pumping plant on the discharge line from the Second Valley source of supply to pump water into the Colby Tanks. To a large extent, this should prevent a shortage of water during the period of low flow of the streams in the late summer and fall months. In order to make effective use of the small booster pumping plant from Second Valley to Colby Tanks, it will be necessary to install a connecting main from the booster plant of not less than 4 inches in diameter. According to the recommendation of the Commission's engineer, this improvement will require the laying of 950 feet of 4-inch pipe from the transmission line carrying Second Valley water, to connect the 3-inch main on Vision Road, and also certain other connections to circulate the water on Cameron Street south of Douglas. The estimated cost of the booster plant and connecting pipe lines is approximately \$1,750.

The other recommendations made by the Commission's engineer include the installation of a pump to lift water from the Colby Tanks to the Tenny Tank and the progressive replacement of the older and undersized distribution mains, as finances warrant.

There was no protest or opposition expressed by any of the consumers present at the hearing against the granting of increased rates. As a matter of record, representatives of the consumers stated

that the water users realized that the existing \$15 minimum annual charge for water was unreasonably low and insufficient to provide for adequate service and much needed improvements. Furthermore, certain consumers stated that in their opinion, the rates requested by applicant were too low to provide a proper revenue to the utility and place the owner in a financial position to install the promised improvements, and that they would be willing to have a higher rate established in the interest of all parties concerned.

The record shows that less than half of the consumers are supplied through meters and that under such a situation there has been a great tendency on the part of the flat rate users to waste water, which, during the late summer months and early fall, is in very critical supply. Certain consumers suggested that the entire system be metered. Although it has been the policy of the utility to install a few meters each year, the cost of such installation has been too great to warrant a general increase in the number of meters installed yearly. The present plans call for installation of about 10 meters each year. It appears that this program should be continued but that more important improvements to the water system should take precedence over a complete metering program.

Under the existing schedule of rates, the monthly use of water is 600 cubic feet, which, generally, is conceded to be a larger quantity than is reasonably required with the present critical water supply. The engineer of the Commission recommended that this quantity of water be reduced to conform to the more general practice on other adjacent water systems in the county operating under similar conditions. Consideration will be given to this problem in the rate structure set up in the following order.

In view of the present financial condition of the utility and in the light of the willingness of the owner of this water works to

install certain necessary system improvements, the Commission will not order any specific improvements to be made by applicant, to be installed and in operation at any particular time, other than the installation of the Second Valley booster plant and the connecting 4-inch pipe line referred to above. It appears imperative that this installation be made at an early date in order to avoid a shortage of water deliveries to consumers during the coming summer season. To this end, the applicant will be instructed to install the booster plant and connecting mains to be in operation on or before the first day of August, 1950. The other improvements, which should be made in the order of their importance, will not be required during the present year but should be installed at some time during the year 1951.

The rate schedules proposed by applicant will be somewhat modified in order to encourage the conservation of water and eliminate the waste thereof, and to prevent as far as possible unfair discrimination among the various classes of water users. It is estimated that the schedules of rates authorized in the following order should increase the annual gross revenues by approximately \$3,200. It is believed that such revenues should enable applicant to raise sufficient funds to install the most necessary system improvements.

O R D E R

Bertha S. Hamilton, doing business as Inverness Water Works, having applied to this Commission for an order authorizing increases in rates, a public hearing having been held thereon 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 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 May 15, 1950.

2. Applicant, within sixty (60) days from the effective date of this order, shall file with this Commission four sets of revised rules and regulations governing relations with her customers, 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 in distinctive markings the boundaries of her 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 any portion thereof.
3. Applicant, within sixty (60) days from the effective date of this order, shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale not smaller than 400 feet to the inch, delineating thereupon in distinctive markings the territory served and the location of the various properties of applicant.
4. Applicant, on or before the first day of August, 1950, shall install a booster pump operated by a motor of not less than 2 hp rated capacity, to increase the flow of water from Second Valley to First Valley and shall install approximately 500 feet of 4-inch pipe to connect the 3-inch main on Vision Road with the end of the existing main on Cameron Street and also connect the end of the existing main in front of Lot 26, Block 7, on Cameron Street with the main at the intersection of Cameron and Douglas Streets.
5. Applicant shall file with this Commission a progress report on the first day of July, 1950, showing the status of construction of the installation ordered in the foregoing paragraph as of the date of said report, and on or before the first day of August, 1950, shall file a similar report on said installation.

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

Dated at San Francisco, California, this 18th day of

April, 1950.

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

Schedule No. 1

ANNUAL METERED SERVICE
CALENDAR YEAR

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In and about the unincorporated town of Inverness, Marin County, as delineated on the map included in the Tariff Schedules.

RATES

<u>Monthly Quantity Rates:</u>		<u>Per Meter</u> <u>Per Month</u>
First	400 cubic feet or less	\$2.25
Next	600 cubic feet, per 100 cubic feet30
Over	1,000 cubic feet, per 100 cubic feet25

<u>Annual Minimum Charge:</u>		<u>Per Meter</u> <u>Per Year</u>
For	5/8 x 3/4-inch meter	\$27.00
For	3/4-inch meter	30.00
For	1-inch meter	42.00
For	1 1/2-inch meter	78.00
For	2-inch meter	120.00

The Annual Minimum Charge will entitle the consumer to the quantity of water each month which 1/12 of that minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITION

The above annual minimum charges are due and payable on January 1 of each year. Excess use over and above the monthly quantity allowance may be billed monthly and where such amounts are less than one dollar (\$1.00), the excess amount due may be accumulated and not billed until the amount thereof is one dollar (\$1.00) or more.

Schedule No. 2

ANNUAL FLAT RATE SERVICE
CALENDAR YEAR

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

In and about the unincorporated town of Inverness, Marin County, as delineated on the map included in the Tariff Schedules.

RATES

	<u>Per Year</u>
For not larger than 3/4-inch service	\$29.00

SPECIAL CONDITION

1. The above annual charge for water service is due and payable January 1 of each year.
2. Meters may be installed at option of utility for above classification, in which event service will thereafter be rendered only on the basis of Schedule No. 1, Annual Metered Service.