

ORIGINAL

Decision No. 45390

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of JOHN W. and FRANCES C. CARL,	)	
(Glen Ellen Water Works)	)	Application No. 31821
for increase in rates.	)	

A. G. Grinstead, attorney for applicants;  
Alfred Steimer, interested party.

O P I N I O N

In this proceeding John W. and Frances C. Carl, doing business as Glen Ellen Water Works, request authority to increase rates charged for general water service rendered in and adjacent to the community of Glen Ellen, Sonoma County. The application was filed on October 5, 1950 and requested the establishment of specific rate schedules. During the course of a public hearing in the matter, held before Examiner Emerson in Sonoma on February 7, 1951, applicants by amendment revised their rate request so as to permit reblocking of meter quantity charges for a more equitable spread, provide for future fire hydrant service, and establish a rate for seasonal usage.

Applicants' presently filed rates are composed of two schedules, one for the former Chauvet system and one for the former Garric system and which are now interconnected. The Chauvet rate schedule has a seasonal minimum charge providing for four months' service. The Garric rate schedule is on a monthly basis only.

The basic present rates are summarized as follows:

Chauvet System - Rates in effect since 1921:

Flat rate minimum four months . . . . .	\$7.00
Additional months, each . . . . .	1.75
Meter rate, minimum four months, 400 cubic feet .	6.00
Additional months, each . . . . .	1.50

Quantity rates, in blocks, per 100 cubic feet 30 and 25 cents

Garric System - Rates in effect since 1941:

Meter rate, minimum 500 cubic feet per month . .	\$1.50
--	--------

Quantity rates, in blocks, per 100 cubic feet 30 to 15 cents

The rates requested by applicant are proposed on a uniform basis with all service to be metered:

<u>Permanent residents</u> , minimum, 400 cubic feet per month	\$ 2.00
--	---------

Quantity rates, in blocks, per 100 cubic feet 37.5 to 30 cents

<u>Seasonal rate</u> , four months, 400 cubic feet per month	\$12.00
Additional months, 400 cubic feet per month . . . . .	2.00

Quantity rates the same as applicable to permanent residents.

Applicants serve approximately 200 customers, 90% of whom are served from the Chauvet system located to the west of the Southern Pacific Railroad right of way. The former Garric system is located to the east of the railroad right of way and is now connected with the Chauvet system by means of a short section of 2-inch main between Carquinez and Hill Streets. Water supply is obtained by diversion from Ashbury and Graham Creeks and from a 200-foot deep well, is stored or regulated by means of five tanks with an aggregate capacity of 64,600 gallons, and is distributed through approximately 45,000 feet of main which vary in size from 6 inches to 3/4 inch in diameter.

Evidence presented by applicants indicates that during the period in which water rates have remained unchanged, all the material and labor costs of this utility have greatly increased. The cost of common labor, for example, has increased more than four-fold from 35 cents per hour in 1921 to \$1.50 per hour in 1950.

Material costs have also increased and, on the average, such costs are now 89% higher than they were in 1946, when the system was acquired by applicants, and 17% higher than they were in July, 1950. Most of the Chauvet system was installed and in operation prior to 1900 and because of its age now requires frequent repairs to mains and fittings. In addition to making repairs at increased costs, applicants are faced with replacing numerous plant items. The necessity of obtaining an additional supply of water is also readily apparent from the experience of an actual water shortage during the Labor Day holiday period in 1950. Plant replacement, additions, and betterments, which, it is estimated, will total \$30,000 during the next 5-year period, are not items of operating expense but require the obtaining of substantial amounts of capital which applicants state they can obtain only by means of bank loans. Their ability to obtain such loans is directly affected by their ability to earn an adequate return on their present and proposed investment. New capital in the amount of approximately \$8,500 must be obtained during 1951 for the development of a new source of water supply and applicants aver that interest on such an amount cannot be met unless the return on their present investment will yield a comparable rate.

Both applicants and a Commission engineer presented testimony respecting fixed capital, operating revenues and operating expenses. Applicants presented no detailed estimate for 1951 operations, however. The revenue and expense estimates for 1951 of staff engineer E. F. Catey entered as Exhibit No. 4 in this proceeding are set forth therein. Included in said Exhibit No. 4 is an appraisal of the water properties as of December 31, 1950, which, in summary, shows a total fixed capital of \$22,556.

The staff report provided an increase in fixed capital for 1951 over 1950 of about \$5,000, representing normal growth of the

system, increasing the capacity of the present well, and some other necessary net additions to the system. Applicants presented testimony indicating that an additional well will be needed, rather than the enlargement of the present well and its transmission main. An additional amount of about \$4,000 will be included in the rate base for this purpose. We shall, therefore, adopt a figure of \$31,600 as representing the average undepreciated fixed capital in service during the year 1951. To such figure will be added an allowance of \$500 for material and supplies and \$700 for working cash, thus producing a rate base of \$32,800 by which the reasonableness of applicants' present rates and requested rates may be tested.

Operating revenues under present rates and expenses as adjusted for 1950 produced an adjusted net revenue of \$742 on the basis of a 5% sinking fund method of depreciation accounting and \$401 on a straight-line depreciation basis. Estimates of such revenues and expenses for 1951 indicate net operating revenues under present rates to be \$635 and \$210, respectively, while the proposed rates would produce corresponding net revenues of \$2,026 and \$1,601, respectively.

Summarizing the above-determined amounts shows rates of return for this utility to be as follows:

Item	Year 1950		Estimated Year 1951			
	Under Pres. Rates		Under Pres. Rates		Under Prop. Rates	
	St.-Line:	5% S.F.:	St.-Line:	5% S.F.:	St.-Line:	5% S.F.:
	Method	Method	Method	Method	Method	Method
Operating Rev.	\$ 5,316	\$ 5,316	\$ 5,527	\$ 5,527	\$ 7,314	\$ 7,314
Operating Exp.	4,915	4,574	5,317	4,892	5,713	5,288
Net Revenue	401	742	210	635	1,601	2,026
Rate Base						
Undepreciated		23,400		32,800		32,800
Depreciated	13,350		21,000		21,000	
Rate of Return	3.0%	3.2%	1.0%	1.9%	7.6%	6.2%

It is apparent that this utility is entitled to relief in the form of increased revenues.

Of the customers present at the hearing, three testified that operation of the water system by the applicants was decidedly superior to that of prior owners, that applicants gave good service and were ever alert to the needs of the customers and the community in general, and that judging from their personal experiences as to increased costs they felt applicants were entitled to the increased rates requested. Another customer stated that in his opinion increased rates were justified but not to the full extent requested. This witness pointed out that the requested rates, when applied to the system as a whole, would result in disproportionate increases to customers of the two prior and once separate systems. We recognize such situation will result but have no evidence before us which establishes that the characteristics of any portion of the present water system are sufficiently different from any other portion to warrant anything other than uniform treatment. It is our opinion that in fact there is here involved but one water utility system and that the rates, rules, and regulations of the utility must be applied equally to all of its customers.

The order herein will provide for the rates as sought by applicant. Such rates will increase gross revenues approximately \$1,780 annually, resulting in an increase of about 32%, and will produce a rate of return of slightly over 6% on a \$32,800 undepreciated rate base. As requested by applicants, the meter rate quantity charges will be reblocked, and a seasonal usage rate will be incorporated. Since there is presently no organized fire protection service rendered in Glen Ellen, however, we shall defer the establishment of fire hydrant rental charges until such time as fire protection service is afforded. To the extent that the present rates differ from the rates hereinafter prescribed, said existing rates are hereby found to be unjust and unreasonable.

O R D E R

John W. and Frances C. Carl (Glen Ellen Water Works) having applied to this Commission for an order authorizing increases in rates, a public hearing having been held, the matter having been submitted and now being ready 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 that applicants are authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedule of rates shown in Exhibit A attached hereto, together with rules and regulations and tariff service area map, 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 April 1, 1951.

IT IS HEREBY FURTHER ORDERED that applicants shall, within thirty (30) days after the effective date of this order, file with this Commission four copies of a comprehensive map, drawn to an indicated scale of approximately 400 feet to the inch, delineating

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to permanent residence and year-round\* water service except seasonal use.

TERRITORY

In and about the unincorporated town of Glen Ellen, Sonoma County, as delineated on the map included in the tariff schedules.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 400 cu. ft. or less . . . . .	\$2.00
Next 800 cu. ft., per 100 cu. ft. . . . .	.40
Next 1,600 cu. ft., per 100 cu. ft. . . . .	.30
Over 2,800 cu. ft., per 100 cu. ft. . . . .	.20
 Minimum Charge:	
For 5/8 x 3/4-inch meter . . . . .	\$2.00
For 3/4-inch meter . . . . .	2.50
For 1-inch meter . . . . .	5.00

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

\* Note: Subject to Special Condition 1, Schedule No. 2.

Schedule No. 2

SEASONAL METERED SERVICE

APPLICABILITY

Applicable to all seasonal water service.

TERRITORY

In and about the unincorporated town of Glen Ellen, Sonoma County, as delineated on the map included in the tariff schedules.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 400 cu. ft., or less . . . . .	\$2.00
Next 800 cu. ft., per 100 cu. ft. . . . .	.40
Next 1,600 cu. ft., per 100 cu. ft. . . . .	.30
Over 2,800 cu. ft., per 100 cu. ft. . . . .	.20

Minimum Charge:	<u>Per Meter</u>
Covering any four consecutive months' service in one calendar year.	
For 5/8 x 3/4-inch meter . . . . .	\$12.00
For 3/4-inch meter . . . . .	15.00
For 1-inch meter . . . . .	30.00

The Minimum Charge will entitle the consumer to the quantity of water during each of the four consecutive months that one-fourth of the minimum charge will purchase at the Quantity Rates.

SPECIAL CONDITIONS

1. Seasonal users who request year-round service may apply Schedule No. 1 by paying a full year's minimum charge under that schedule in advance.
2. Seasonal users who request more than four consecutive months' service but do not request year-round service will be charged for each such extra, consecutive month's service under Schedule No. 1.
3. Before service is rendered during any calendar year, the consumer must notify the utility which consecutive months' service is desired.



by appropriate markings the various tracts of land and territory served and the location of the various properties of applicants.

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

Dated at Los Angeles, California, this 27<sup>th</sup>  
day of February, 1951.

Justin Z. Casner  
Harold Kula  
Peter E. Mitchell  
Commissioners.