

Decision No. 45410

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CLYDE HENRY, doing business under the)
 firm name and style of FRIENDLY ACRES)
 WATER COMPANY for an order authorizing) Application No. 32074
 him to increase rates charged for water)
 service in the system serving the)
 Friendly Acres area in Redwood City,)
 San Mateo County.)

Ernest E. Sexton for applicant; S. P. Youngblutt
 for Friendly Acres Improvement Club, interested
 party; Chester W. Lebsack, Assistant City Attorney,
 for the City of Redwood City, interested party;
Mrs. Ernest Cox, Mrs. Tedd F. Marvin, Mrs. Joseph
Wm. Leahy, interested parties.

O P I N I O N

In this application, filed January 30, 1951, Clyde Henry, doing business as Friendly Acres Water Company, requests authority to increase rates charged for water service on his Friendly Acres system in and adjacent to Redwood City, California. Such increased charges are necessitated because of an increase in the water rates charged by the Water Department of the City of San Francisco to its consumers on the San Francisco Peninsula. Water purchased from the San Francisco Water Department is the sole source of supply for the Friendly Acres system. On January 2, 1951, the City and County of San Francisco adopted a revised rate schedule effective February 1, 1951, increasing by 4.2¢ per 100 cubic feet the rates charged for all water deliveries over 333,000 cubic feet per month.

A public hearing on this application was held before Examiner Emerson on February 20, 1951, in Redwood City.

The basic monthly rates presently in effect and as proposed by applicant for the Friendly Acres system are as follows:

Item	: Present : Rates :	: Proposed : Rates :
Minimum charge for 5/8" x 3/4" meter	\$ 2.00	\$ 2.20
Minimum charge for 3/4" meter	3.00	3.31
Minimum charge for 1" meter	3.50	3.87
Minimum charge for 2" meter	10.00	11.20
Quantity Rates:		
First 500 cubic feet (included in min.chge.)	.40	.44
Next 1000 cubic feet per 100 cubic feet	.35	.39
Next 1500 cubic feet per 100 cubic feet	.30	.34
Over 3000 cubic feet per 100 cubic feet	.28	.32

At the hearing applicant and the Commission staff introduced testimony concerning results of 1950 system operations based upon present effective rate schedules and both indicated that substantially the same water usage would prevail during the year 1951. Both assumed that, except for increased costs of water purchased from the San Francisco Water Department and increased taxes resulting from the increased revenues requested, all other operating expenses would be identical with those experienced during 1950. By such theory the applicant is seeking to recover only the out-of-pocket costs resulting from the increased rates charged by the City

and County of San Francisco and net revenue should not be affected thereby. A summary of the staff report on results of operations is as follows:

Item	: Under Present : : Rates : : Year 1950 :	: Under Proposed : : Rates : : Year 1950 :
<u>Operating Revenues</u>		
Domestic - meter rate	\$ 49,756	\$ 55,274
Fire hydrants	884	884
Total revenue	\$ 50,640	\$ 56,158
<u>Operating Expenses</u>		
Source of water supply	21,983	26,435
Repairs to system	9,233	9,233
General	4,890	4,890
Taxes	3,833	4,068
Depreciation (St. Line)	5,103	5,103
Total expenses	45,042	49,729
<u>Net Revenue</u>	5,598	6,429
<u>Rate Base</u>		
Fixed capital	114,244	114,244
Materials and supplies	2,731	2,731
Working cash	4,200	4,200
Depreciation reserve	(17,425)	(17,425)
Depreciated rate base	103,750	103,750
<u>Rate of Return</u>	5.4%	6.2%

(Inverse Item)

From the above tabulation it is apparent that the proposed rates when applied to 1950 usage would produce a greater revenue increase than the corresponding increase in expenses resulting from increased water supply costs. However, applicant now serves some 960 consumers and has a potential of approximately 100 additional, with 15 homes under actual construction within the service area. In 1951, therefore, the system will experience some growth which can be served only at the increased supply costs and which will also increase other operating expenses somewhat. Giving full recognition to such expansion, however, does not indicate that the across-the-board increase of 4 cents per 100 cubic feet set forth

in applicant's proposed rates will be necessary to make applicant whole. The rates to be authorized herein, therefore, will be substantially those requested except that the first quantity block will be increased 3¢ per 100 cubic feet with a corresponding change in the monthly minimum charge. Such rates will yield a return of slightly less than 6% on applicant's depreciated rate base.

No protest against the proposed increases was made by either the County of San Mateo or the City of Redwood City. Nor was protest with regard to rates entered by consumers present at the hearing. A number of complaints with respect to discoloration of water and low pressure were made, however. Applicant proposes to relieve the low pressure situation by installing a 6-inch main along Page Street. The discoloration problem, according to applicant's Superintendent, arises from a growth on the walls of the San Francisco Water Department's tunnel and cannot be controlled by applicant. Bi-weekly tests of water by the County of San Mateo indicate that the water is healthful. Filters to remove the color can be installed only at prohibitive costs. Such matter, therefore, must be deferred at this time and reliance placed upon applicant's present flushing operations to keep reasonable control over the discoloration problem.

Applicant has urged that increased rates be authorized at the earliest possible date in view of the water purchase cost increase already in effect. If serious adverse reductions in applicant's earning position are to be avoided, it appears that the requested increase in rates must be promptly authorized and made effective. Applicant will prorate water quantities indicated by readings of its meters made subsequent to March 1, 1951, except that for customers using over 30,000 cubic feet per month, meters will be read on March 1.

O R D E R

Clyde Henry (Friendly Acres Water Company) having applied to this Commission for an order authorizing increases in rates for water service, 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 and, to the extent that the present rates differ from the rates hereinafter prescribed, said present rates are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, in conformity with General Order No. 96, the schedule of rates shown in Exhibit A attached hereto and to make said rates effective for all metered service rendered thereunder on and after March 1, 1951.

The effective date of this order shall be the date hereof.

Dated at Los Angeles, California, this 27th day of February, 1951.

Justus J. Casewen
Harold Kula
Peter E. Mitchell

Commissioners.

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In and adjacent to Friendly Acres, Redwood City, California.

RATES

Quantity Rates:	Per Meter Per Month
First 400 cu.ft., per 100 cu.ft.....	\$0.43
Next 1,000 cu.ft., per 100 cu.ft.....	.39
Next 1,500 cu.ft., per 100 cu.ft.....	.34
Over 3,000 cu.ft., per 100 cu.ft.....	.32

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$2.15
For 3/4-inch meter.....	3.30
For 1-inch meter.....	3.85
For 1/2-inch meter.....	5.50
For 2-inch meter.....	11.00
For 3-inch meter.....	17.00
For 4-inch meter.....	34.00

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