

Decision No. 45795**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE STOCKTON LAND ASSOCIATION, a)
 corporation, for an order authorizing) Application No. 31911
 it to increase rates charged for water)
 service.)

McCutchen, Thomas, Mathew, Griffiths & Greene,
 by Robert Minge Brown, attorney for applicant;
Harold Riley, interested party; Mrs. Olive
Vallentyne, interested party.

O P I N I O N

By this application, filed November 16, 1950, The Stockton Land Association, a corporation, requests authority to increase rates charged by it for general water service rendered in its service area within the City of Stockton.

A public hearing in this matter was held before Examiner Emerson in Stockton on May 23, 1951.

Applicant's present flat rates were established at the formation of the corporation about 1907 and have remained unchanged ever since. No meters have been used on the system. In this application the original form of rates has been maintained; although, during the course of the hearing in this matter, applicant stated a preference for a newer rate form suggested by the Commission staff. The present and proposed rates of applicant are summarized as follows:

Classification	FLAT RATES		Monthly Flat Rate	
	Lot Frontage	Lot Location	Present	Proposed
House and lot	40 ft. or less	Interior	\$1.25	\$2.15
House and lot	40 ft. or less	Corner	1.50	2.50
House and lot	40 ft. to 50 ft.	Interior	1.50	2.55
House and lot	40 ft. to 50 ft.	Corner	1.75	2.90
Additional lot	0-37½ ft.	Any	.25	1.00
Additional lot	37½ ft. to 50 ft.	Any	.50	1.50
Additional rooms above 5 rooms	-	Any	-	.10
Fire hydrants	-	-	1.00	1.00

PROPOSED METER RATES

Quantity Rates:	Per Meter per Month
First 500 cubic feet, or less.....	\$1.50
Next 2,000 cubic feet, per 100 cu. ft.....	.18
Next 3,500 cubic feet, per 100 cu. ft.....	.13
Over 6,000 cubic feet, per 100 cu. ft.....	.07

Minimum Charges:

For 5/8 x 3/4-inch meter.....	\$1.50
For 3/4-inch meter.....	1.75
For 1-inch meter.....	2.75
For 1 1/2-inch meter.....	5.00
For 2-inch meter.....	7.50
For 3-inch meter.....	13.00
For 4-inch meter.....	19.00

Applicant serves 258 consumers in an area comprising 14 city blocks in the northeast portion of the City of Stockton. The company's primary water source is a 12-inch cased well, 185 feet deep, pumped by an eight-stage deep-well turbine pump, direct connected to a 30 hp electric motor, into about 10,400 feet of distribution mains. As a secondary or standby source, connection is made with the distribution system of the Stockton District of California Water Service Company, which serves surrounding areas and the school within applicant's service area.

Evidence presented by applicant indicates that operations heretofore have been conducted upon a very informal basis and that proper and adequate records and book entries have been neglected by its former bookkeeper. Applicant has operated at a serious out-of-pocket loss and, because of the age of the system, is now faced with a major reconstruction program for which it must attract capital. The service area is completely surrounded by other water utilities and has no opportunity for expansion or increase in number of customers. Capital expenditures, therefore, will improve service but will not produce new revenue. It is estimated that some \$16,000 will be required for main replacements, and the first replacement

work must be undertaken this year. Applicant reports that its present financial situation is such that bank loans cannot be obtained and it must look to other sources for its new capital. An improvement in its financial position is clearly a condition precedent to any new financing.

Testimony and other evidence relative to applicant's operations were presented by applicant and the Commission staff. In their respective exhibits, applicant's fixed capital determination for 1951 was based upon the original cost to date plus 25% of the programmed main replacements, while the staff determination was based upon an assumption that the entire main replacement work had been concluded prior to 1951. With respect to estimates of 1951 operating expenses, applicant assumed that 1951 expenses would be the same as the average of the past four years except for increases in taxes and power bills, the latter having experienced a 6% rate increase during 1950. The staff's estimate of 1951 operating expenses assumed that the main replacement work was completed, thereby lessening maintenance costs, but the staff engineer stated that if such assumption were not made, his estimate of maintenance expenses would be about \$150 higher than as shown in his exhibit. A summary of the respective presentations is as shown on the following page.

Item	Year 1951				
	Year 1950: Recorded:	Applicant		Staff	
		Present: Rates	Proposed: Rates	Present: Rates	Proposed: Rates
Operating Revenues	\$ 4,662	\$ 4,680	\$ 8,121	\$ 4,680	\$ 8,121
<u>Operating Expenses</u>					
Excl. Taxes & Depn.	5,470	5,823	5,783	5,490	5,490
Taxes	542	535	966	760	1,104
Depreciation	397	300 ^a	300 ^a	578 ^b	578 ^b
Total	6,409	6,658	7,049	6,828	7,172
Net Revenues	Loss	Loss	1,072	Loss	949
<u>Rate Base</u>					
Fixed Capital	13,663	16,788	16,788	25,804	25,804
Working Cash	250	250	250	200	200
Material & Supplies	100	100	100	100	100
Undepreciated Rate Base	14,013	17,138	17,138	26,104	26,104
Depreciation Reserve	6,136	-	-	5,183	5,183
Depreciated Rate Base	7,877	-	-	20,921	20,921
<u>Rates of Return</u>					
Undepreciated Base	-	-	6.3%	-	-
Depreciated Base	-	-	-	-	4.5%

- a. 5% Sinking fund.
b. Straight-line.

While applicant's estimates have assumed average past operating expenses, the revenue estimate considered the proposed rates as being in effect for the entire year 1951. The staff's estimates, being based on the assumption that the necessary future replacements had already been made, appear more properly to apply to a future year such as 1953 when the reconstruction work may be actually completed. It follows that applicant will realize a rate of return lying between the two estimates and we conclude, therefore, that applicant's rate increase request should be granted in the total amount sought. No person has entered a protest to the granting of applicant's request.

Although applicant presently has an ample supply of water, water tables in the area have been dropping and it becomes increasingly apparent that waste of water must be avoided. The most effective means for controlling waste of water is to install meters. Applicant's proposed meter rate schedule appears to be reasonable and will be authorized. With respect to flat rates, those to be authorized herein will yield the same over-all revenues as those proposed by applicant but will simplify the rate form and more equitably distribute water charges among the consumers.

Applicant will be required to file a revised set of rules and regulations and an up-to-date map of its facilities.

O R D E R

The Stockton Land Association having applied to this Commission for an order authorizing an increase 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 and charges authorized herein are justified and that the present rates, in so far as they differ from those prescribed herein, are unjust and unreasonable; 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 and in conformity with General Order No. 96, the schedule of rates set forth in Exhibit A attached hereto, and, after not less than five (5) days' notice to the public and the Commission, to make said rates effective for all water service rendered on and after July 1, 1951.
2. Applicant, within thirty (30) days after the effective date of this order, shall file in quadruplicate with this Commission rules and regulations governing customer relations, revised to reflect present-day practices acceptable to this Commission and in conformity with General Order No. 96.

EXHIBIT A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Throughout the entire territory served, as delineated on the map included in the tariff schedules.

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu. ft. or less	\$ 1.50
Next	2,000 cu. ft., per 100 cu. ft.18
Next	3,500 cu. ft., per 100 cu. ft.13
Over	6,000 cu. ft., per 100 cu. ft.07

Minimum Charges:

For	5/8 x 3/4-inch meter	\$ 1.50
For	3/4-inch meter	1.75
For	1-inch meter	2.75
For	1 1/2-inch meter	5.00
For	2-inch meter	7.50
For	3-inch meter	13.00
For	4-inch meter	19.00

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

EXHIBIT A
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Schedule No. 2

FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

Throughout the entire territory served, as delineated on the map included in the tariff schedules.

RATES

	<u>Per Month</u>
For single-family dwelling or single unit commercial establishment on property 2,500 sq. ft. or less in area	\$1.75
For each additional single-family or commercial unit on property 2,500 sq. ft. or less in area	1.25
For additional area of 2,500 sq. ft. or less, per 100 sq. ft.04
For additional area in excess of 5,000 sq. ft., per 100 sq. ft.02
For each fire hydrant	1.00
For each automatic cower flusher60

SPECIAL CONDITIONS

- Charges are payable monthly in advance.
- Meters may be installed at the option of the utility or the customer in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service. A customer's request for change from flat rate to metered service must be made in writing.

3. Applicant shall file with this Commission, within forty (40) days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale of approximately 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.

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

Dated at Los Angeles, California, this 5th day of June, 1951.

A. J. Johnson
Harold Hule
W. L. Mitchell
Commissioners.