

Decision No. 46359

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SONOMA WATER & IRRIGATION COMPANY,)
a corporation, for authority to) Application No. 32261
increase rates on the sale of)
domestic water.)

Edward D. Keil, of Keil and Connolly, for
applicant; Edgar G. Perkins, for Sonoma
Valley Improvement Club; Joseph Yudvic,
for Valley of the Moon Fire District;
Mrs. Emma Finchum, for Sonoma Vista
Improvement Club; Mrs. William Smircich,
for El Verano Improvement Club; William J.
Jaekel, for Sonoma Valley Grange, protestants.

O P I N I O N

Sonoma Water & Irrigation Company, a corporation,
engaged in distributing water for domestic and commercial
purposes in a portion of the Sonoma Valley, requests authority
to eliminate its schedule of "Summer Resort Rates", effective
January 1, 1952; to increase its meter rates applicable to
all consumers and also to increase the rates for fire hydrants.
Applicant alleges that during the past two years its costs of
operation, including taxes, have steadily increased and that it
is asking for an equitable schedule of rates in order to serve
the area adequately, keep its equipment in condition and conduct
its operations on such a basis as to earn a fair return on
its capital investment. Schedules of proposed rates are
attached to the application.

The application was submitted at a public hearing
held before Examiner Gregory at El Verano on June 15, 1951.

Applicant is the successor in interest to a number of systems which for many years have supplied water in various portions of the Sonoma Valley resort area. Since 1943, following acquisition of the Boyes Springs Park Company water system, applicant has rendered service in unincorporated territory lying along both sides of State Highway 12 north of the City of Sonoma. The area comprises about two square miles, has an estimated population of about 3,600, and embraces the resort communities of El Verano, Sonoma Vista, Boyes Springs, Feters Springs, and Agua Caliente. The contiguous communities of Sonoma Highlands and Feters Springs Terrace are served by the Mountain Avenue Water Company.

The source of water supply consists of four wells located at three pump stations in Boyes Springs Park, Agua Caliente Park, and El Verano. Storage is provided by a 300,000-gallon, concrete lined, covered reservoir on a knoll in Boyes Springs Park, supplemented by two 25,000-gallon redwood tanks and two 7,000-gallon steel tanks.^{1/} There is also a 1,200-gallon steel pressure tank at the El Verano well but the tank is not in use as the well and pumping plant at this location are used only for standby purposes. Water from this well is pumped directly into the water main. On December 31, 1950, the company had 117,430 feet of distribution main varying in size from 1 to 10 inches in diameter. As of March 31, 1951, there were 1,007 active service connections, all of which are metered, and about a dozen fire hydrants. Applicant maintains its

^{1/} A stone reservoir, located at a higher elevation and designed to serve Boyes Springs Village Subdivision, has recently been erected by the subdivider and will be donated to the utility in exchange for a parcel of land located near the main reservoir. Applicant's president testified that no capital gain or loss will result from the transaction.

general office in San Francisco at no cost to the company.

During the past two years it has constructed at El Vorado a shop, a superintendent's home, an equipment shed and a corporation yard, together with quarters for other employees, by means of which it is enabled to maintain supervision of its operations on a more effective basis. A purification system has also been added, at the direction of the State Board of Health, as the result of bacteriological contamination discovered in the underground water supply of the surrounding area.

< The operating revenues obtainable from this system under present and proposed rates and under alternate schedules of rates developed by the Commission's engineer appeared in his report (Exhibit No. 3), which report was placed in evidence at the hearing. ✓ The company introduced a financial statement containing recorded revenues and expenses for 1950 and a balance sheet as of the end of that year (Exhibit No. 1). Rates of return in the engineer's study were developed from historical cost rate bases, using a 5% sinking fund depreciation annuity as an item of expense.

A summary of the recorded and adjusted results of operations for 1950 and as estimated for 1951, as presented by the applicant and as developed by the Commission staff, appears below:

Item	:Company's: CPUC Staff's Exhibit No. 3:				
	:Exh.No. 1: 1950 Adjusted		: 1951 Estimated		
	: 1950	: Present	: Proposed	: Present	: Proposed
	:Recorded ^a	: Rates	: Rates	: Rates	: Rates
Operating Revenue	\$ 30,796 ^b	\$ 30,796	\$ 39,932	\$ 32,110	\$ 41,645
<u>Operating Expenses</u>					
Operation and Maintenance	13,805	14,675	14,675	16,090	16,090
Taxes	5,766	4,393	6,776	5,180	7,850
Depreciation, 5% S. F.	2,802	2,743	2,743	2,965	2,965
5% Int. on Book Deprec. Reserve at Beginning of Year	892	892	892	1,034	1,034
Other	2,157 ^c	f	f	f	f
Total Expenses	25,422	22,703	25,086	25,269	27,939
Net Operating Revenue	5,374	8,093	14,846	6,841	13,706
<u>Rate Base</u>					
Undepreciated	161,538 ^d	140,825 ^e	140,825 ^e	147,275 ^e	147,275 ^e
Book Depreciation Reserve	20,683	19,250	19,250	22,675	22,675
Depreciated	140,855	121,575	121,575	124,600	124,600
Rate of Return	3.82% ^g	6.66%	12.21%	5.49%	11.00%

- a. Rounded to nearest dollar.
- b. Excludes nonoperating revenues of \$3,516.
- c. Excludes interest of \$3,000.
- d. Total fixed capital as of December 31, 1950.
- e. Computed on revised figures.
- f. Distributed to various operating expense accounts.
- g. Average for the year.

The alternate type of rate schedule, which incorporates an annual service charge and monthly commodity charges for all consumers in lieu of the existing schedule applicable to permanent residents and a separate schedule involving a minimum annual charge and monthly quantity rates applicable only to nonpermanent residents (comprising about 15% of all consumers), was recommended in order to overcome the difficulty of

providing a meter rate schedule with monthly minimum charges^{2/} which could be administered equitably for both classes of users.

It will be observed that the undepreciated rate base developed from the company's recorded figures, as shown in the above tabulation, is \$20,713 higher than the staff's adjusted rate base for 1950 and \$14,263 higher than the 1951 estimated rate base. The differences are due to the fact that the Commission's engineer deleted the sum of approximately \$13,500 from the company's fixed capital to reflect the sale in 1933 of a portion of its operative properties to the City of Sonoma, for which the company had made no adjustment in its books to the end of 1950, and to the further fact that the engineer used average rate bases for the two years in making his computations. In both the 1936 and 1948 rate cases involving this utility^{3/} the Commission used the staff appraisals, which also gave effect to the sale to the City of Sonoma, in arriving at the water rates authorized in those proceedings. The current appraisal will be used here for the same reason. The company will be expected to adjust its capital figures to conform with that appraisal.

It is clear from this record that the company needs additional revenues to place it in a more favorable position to meet increased costs of operation, including taxes, and to fulfill expected demands for expansion of its facilities as the communities in which it renders service continue to grow,

^{2/} Adoption of the annual service charge, which is the same as the present minimum annual charge for nonpermanent users, would not require an adjustment for these consumers as they would be required to pay only for the quantities of water used by them in the remaining months of the year. This would simplify the authorization of such a schedule and the elimination of the present summer resort rates prior to January 1, 1952, as requested by applicant.

^{3/} Decision No. 29368, 12-15-36, Appl. No. 20783.
Decision No. 41865, 7-20-48, Appl. No. 29197

chiefly in the direction of a more stable, year around population. It is largely on account of this change in the complexion of the population that applicant requests authority to eliminate its existing schedule of summer resort rates, under which there was bound to be some inequality as between the permanent and nonpermanent users in payment for over-all service. It is also evident that the rate schedule proposed by applicant would produce revenues in excess of those required to render a reasonable return on the adjusted rate base.

The rates provided by the revised alternate schedule, hereinafter authorized, together with a comparable increase of approximately 6% in fire hydrant rentals, had they been in effect for the entire year 1951, have been computed to produce a rate of return of about 6.56% using a depreciated rate base of \$124,600.

A distinct improvement in field operations and accounting practices has been achieved by the company during the past two years. Observations made during the field and office investigation in connection with this application, however, have led the Commission's engineer to suggest certain further improvements along those lines which he has outlined in Chapter X of his report. The company should give serious consideration to carrying out these recommendations as soon as practicable.

ORDER

Sonoma Water & Irrigation Company, a corporation,
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 and that the existing rates, in so far as they differ from the rates herein prescribed, 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, in conformity with the Commission's General Order No. 96, the schedules of rates shown in Exhibit A attached hereto and, after not less than two (2) days' notice to the Commission and the public, to make said rates effective for service rendered on and after September 1, 1951; and concurrently to cancel existing rate schedules superseded by the schedules hereinabove authorized.
2. Applicant, within forty (40) days from the effective date of this order, shall file with this Commission four sets of 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 8½ 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 or 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.
4. IT IS HEREBY FURTHER ORDERED that applicant shall revise its books of account of its fixed capital in service to make them conform to the Commission staff's appraisal, brought up to date as of December 31, 1950, as shown in Table 7-A of the report submitted as Exhibit No. 3 introduced at the hearing in this proceeding, and shall file with the Commission for its approval copies of the proposed journal entries necessary to effect such action.

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

Dated at San Francisco, California, this 7th day
of August, 1951.

Justin J. Casner
Harold F. Hilda
Concetta Potter
John E. Mitchell

Commissioners.

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

Within the entire area of service in and in the vicinity of El Verano, Boyes Springs, Sonoma Vista, Fetters Springs, and Agua Caliente, all unincorporated territory in Sonoma County.

RATES

Service Charge:	Per Meter	
	Per Year	Per Month
For 5/8-inch meter	\$ 21.00	\$ 1.75
For 3/4-inch meter	24.00	2.00
For 1-inch meter	30.00	2.50
For 1½-inch meter	42.00	3.50
For 2-inch meter	72.00	6.00
For 3-inch meter	150.00	12.50
For 4-inch meter	300.00	25.00

Quantity Rates:	Per Meter
	Per Month
For the first 10,000 gallons, per 1,000 gallons	\$0.25
For all over 10,000 gallons, per 1,000 gallons20

The Service Charge is a readiness-to-serve charge applicable to all metered service and is to be added to the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The annual service charge is applicable to all consumers and is payable on January 1.

2. For bona fide permanent residents or commercial establishments, who received water during each of the 12 months and who have paid their monthly water bill regularly during the preceding calendar year, the annual service charge may be prorated on a monthly basis.

EXHIBIT A
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Schedule No. 2

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

Applicable to all fire hydrants installed for public fire protection attached to the company's water mains.

TERRITORY

Within the entire area of service in and in the vicinity of El Verano, Boyes Springs, Sonoma Vista, Feters Springs, and Agua Caliente, all unincorporated territory in Sonoma County.

RATES

	<u>Per Hydrant Per Month</u>
For each fire hydrant installed by a municipality, county or fire district	\$1.60
Fire hydrants owned and installed by the company:	
On mains less than 4 inches in diameter	1.85
On mains 4 inches in diameter and less than 6 inches	2.10
On mains 6 inches in diameter and larger	2.65

SPECIAL CONDITIONS

1. After installation by the company, the maintenance and the proper operation of each hydrant shall be the responsibility of the public fire protection agency and the company will only be required to paint its hydrants periodically with a color acceptable to the public agency.

2. Any individual or private corporation applying for fire protection service other than that provided by a fire district or other public agency, shall pay in advance to the utility the entire installed cost of the facilities requested. The rates charged for the service shall be on the same basis as the charges and conditions applicable to the facilities installed by a public agency.