

Decision No. 46118

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE FREEPORT WATER)
COMPANY to increase flat rate charge.) Application No. 32051
(Art 6 PUA 63 (a)) (Amended)

Patrick J. McCarthy and John J. Wells, attorneys for
John Fernandez, applicant; Ben Narvid, attorney for
self and property owners, protestants; Thomas C. Mackey,
interested party; John D. Reader, for the Commission
staff.

O P I N I O N

In this application, filed January 20, 1951, John Fernandez (Freeport Water Company) requests authority to increase rates charged for general water service rendered in Freeport Manor subdivisions 1½ miles south of the City of Sacramento, Sacramento County.

A public hearing was held before Examiner Emerson in Sacramento on July 24, 1951, at which time the matter was submitted for decision. At the hearing applicant amended his application by requesting an increase in metered rates.

Applicant's present and proposed rates are summarized as follows:

FLAT RATES

	<u>Charge Per Month</u> <u>Present</u>	<u>Proposed</u>
For each residence, including 3,000 square feet of gardens	\$ 2.00	\$ 2.75
For garden area in excess of 3,000 square feet, per 100 square feet	.02	--

METER RATES

	<u>Per Meter</u> <u>Present</u>	<u>Per Month</u> <u>Proposed</u>
Quantity Rates:		
First 800 cu. ft. or less	\$ 1.75	\$ 2.50
Next 1,200 cu. ft. per 100 cu. ft.	.175	.20
Next 3,000 cu. ft. per 100 cu. ft.	.15	.15
Next 5,000 cu. ft. per 100 cu. ft.	.12	.12
Over 10,000 cu. ft. per 100 cu. ft.	.10	.10
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$ 1.75	\$ 2.50
For 3/4-inch meter	2.25	3.00
For 1-inch meter	3.25	4.00
For 1 1/2-inch meter	5.00	6.00

Applicant supplies water service in an area generally known as Freeport Manor, approximately 1 1/2 miles south of the City of Sacramento under certificate of public convenience and necessity granted by this Commission's Decision No. 42702 in Application No. 29930, issued April 12, 1949. The service area comprises about 100 acres subdivided into approximately 410 residential lots and school property. Applicant presently serves 347 customers, all but one of whom are domestic customers. The source of water supply is from two 12-inch cased wells 200 feet deep, about 1300 feet apart, equipped with 50 hp motors connected to turbine pumps. Water is pumped into 5,000-gallon pressure tanks at each well site and then distributed through about 19,600 feet of interconnected mains which range in size from 8 inches to 2 inches in diameter. The first well was placed in operation during July and the second in November of 1949.

Applicant's office manager, an auditor, and the Commission staff presented testimony and entered exhibits in this proceeding relative to past and present operating revenues and expenses, together with estimates of such items for the year 1951 at present and proposed rates. The record shows that 1950 operating revenues totaled \$5,575.45. If applicant's proposed rates had been in effect

the 1950 revenues would have totaled approximately \$8,000. With respect to 1950 operating expenses, applicant reported a total of \$5,253.58. This latter amount was analyzed in detail by the Commission staff and adjustments made thereto in order properly to assign items of expense and system cost to the appropriate accounts. After such adjustments it appears that the proper charges to operating expenses in 1950 should have been \$6,349.34. If applicant's proposed rates had been in effect, 1950 operating expenses would have totaled approximately \$6,650. It follows, therefore, that applicant operated at a loss during the year 1950 and that had the proposed rates been in effect a net revenue of some \$1,350 would have been realized.

Applicant's estimate of 1951 operations indicates an anticipated loss of about \$1,588 under existing rates. The staff's estimate indicates a loss of approximately \$1,275 for the year 1951 under present rates. The difference between such figures arises primarily from differences in revenue estimates. It is apparent that, under either estimate, applicant is presently in need of some relief in the form of increased revenues.

The Commission staff presented an estimate of future revenues on the basis of full development of the service area and on the assumption that all revenues would result from a continuation of present flat rate charges for water service. Such estimate is expected to be applicable to the calendar year 1953. In such year, revenues under present rates would approximate \$10,160. As indicated by Exhibits 2 and 3 in this proceeding, operating expenses for such year will approximate \$10,690. It is therefore obvious that even with full development of the tracts, applicant will operate at or very close to a loss if present rates are to be continued.

The water system was installed by local contracting firms in 1949, that portion in Freeport Manor Tract No. 2 being installed for the applicant. The portion serving Freeport Manor Tract No. 1 was installed to the specifications of applicant by the tract's subdivider under the standard 35% refund extension rule. In other words, while the entire system is the legal property of applicant, applicant is obligated to refund 35% of the revenues received in Tract No. 1 to the subdivider until the full amount is refunded or a period of 10 years has passed. In determining rate bases, therefore, applicant's fixed capital will be adjusted to allow only the refunded portion of this advance for construction. For the purposes of this proceeding we conclude that the following tabulation sets forth fair and reasonable depreciated rate bases for the periods indicated:

<u>Item</u>	<u>12-31-49</u>	<u>12-31-50</u>	<u>Estimated 12-31-51</u>
Total Fixed Capital	\$ 26,466.40	\$ 60,342.37	\$ 60,842
Less Subdivider's Advance	--	27,080.74	25,680
Less Depreciation Reserve	693.61	1,672.00	2,862
Working Cash	400.00	600.00	600
Rate Bases (Depreciated)	26,172.79	32,189.63	32,900

It appears that the water distribution system, except for the possible installation of meters, is complete and any increase in fixed capital for the existing system will be minor. Increases in rate bases, however, will continue as refunds are made to the subdivider of Tract No. 1. The only offsetting item appears to be that of the depreciation reserve which will accumulate as the system grows older.

At the hearing in this matter a large amount of testimony was offered relative to the poor quality of water served by applicant. Opponents to the granting of any rate increases were represented by counsel and well organized. Sixty-three of applicant's customers

were present during the hearing and six appeared as protesting witnesses. In excess of 300 of applicant's customers either wrote individual letters or signed petitions protesting applicant's proposed rates. The general complaint of all witnesses was regarding quality of water. The evidence clearly shows that the water is excessively hard, corrosive, contains minerals which will stain paint and clothing, contains some sand, and has a disagreeable odor and taste. From the testimony offered, it also appears that some gaseous matter is present which, when faucets are first opened, causes forceful spurting or showering of water over nearby persons and objects. It is of record that the fire department will not use its pumpers in the area because of the adverse effect of the water's corrosiveness and sand content on the pump truck primers. Instead of pumping water from applicant's system, the fire department has ordered its forces to haul water into the area. OK
JAC

Applicant's customers have no other public water service available to them. Except for minor amounts of bottled water, all of their water needs must, of necessity, be met by applicant's system. For domestic uses many customers have installed individual water softening units at their homes. For the use of such units the record indicates payment of an average installation charge of about \$29, and a monthly rental charge of \$4.25 is made. It is averred that even with the use of such individual softeners, the water still is not satisfactory though it is somewhat improved.

The superintendent of applicant's system testified as to the steps taken to improve the quality of water, and introduced as Exhibit No. 1 in this proceeding a report on a chemical analysis of samples of water taken from each well during May, 1951. He described the water as being fairly hard, quite corrosive and discolored. He stated that the sand condition resulted from "caving"

of one well and that there might be some oily taste to the water due to the newness of the pipes, but that such conditions would improve with time. He further testified that since May of 1951 he has been attempting to treat the water in order to lessen its corrosiveness and that if such treatment proves successful, the complained of spurting condition might also be corrected. He indicated that the hardness condition could be overcome by a filtering process but that he felt such process would be uneconomical. From such testimony we conclude that improvement of the quality of water, under applicant's known plans or program, is highly problematical.

With respect to improvement in the quality of water, the Commission staff engineer testified that for an investment of approximately \$15,000 facilities for blending water from the two wells and a plant for the softening of the entire water supply could be installed. An annual expense of about \$5,800 for operation of the facilities would make possible the supplying of softened, clear, stainless, and potable water to all customers. According to this engineer's calculations, the additional operating expense would approximate \$1.50 per month per customer.

The Commission may and does require that each and every public utility water system furnish an adequate and reasonable supply of a potable water to its consumers. While a utility cannot be compelled to operate at a loss, the Commission can authorize rates which are predicated upon improvements that will produce a quality of water satisfactory for the use of the utility's patrons.

In view of the record in this proceeding, applicant should, without undue delay, take whatever steps may be necessary to ensure that the water served will be improved to such degree that the utility customers may make reasonable use of it for domestic purposes.

The rates to be authorized herein will be designed only to halt applicant's present losses during the developmental stage of the service area.

Upon installation and satisfactory operation of facilities necessary to make the desired improvement, applicant may apply to this Commission for further rate relief. The record indicates no objection to increased rates if satisfactory water were to be furnished.

Applicant now serves one commercial establishment at a flat rate not specified in the tariffs. A commercial rate will be established as part of the rates to be authorized. Applicant's present rates also provide for the collection of additional charges based upon the area of a lot devoted to lawn, garden or shrubs. Such charges have not been collected, however, and applicant testified that the rate was impractical of administration. It will be omitted from the new rates.

O R D E R

John Fernandez (Freeport Water Company) having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in Freeport Manor Tracts, south of the City of Sacramento, Sacramento County, 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 therefrom, are unjust and unreasonable, therefore,

IT IS HEREBY ORDERED that applicant file in quadruplicate with this Commission the schedules of rates attached hereto as Exhibit A, in conformance with General Order No. 96, and, after not less than five (5) days' notice to the public and this Commission, to make said rates effective for all water service rendered on and after October 1, 1951.

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

Dated at San Francisco, California, this 20th day of August, 1951.

R. Z. [Signature]
Justice J. [Signature]
Harold [Signature]
John E. [Signature]
[Signature]
Commissioners.

EXHIBIT A
Page 1 of 3

Schedule No. 1

GENERAL FLAT RATES

APPLICABILITY

Applicable to all water service rendered on an unmeasured basis.

TERRITORY

Throughout the entire service area as delineated on the map contained in the tariff schedules and located in Freeport Manor subdivision south of Sacramento in Sacramento County.

RATES

Per Month

For each residence.....	\$2.25
For each commercial establishment.....	3.25

SPECIAL CONDITIONS

1. Rates are payable monthly in advance.
2. Service to other than the above classifications will be rendered only on the basis of Schedule No. 2, General Meter Rates.
3. Meters may be installed at the option of the utility or customer, in which event service thereafter will be rendered only on the basis of Schedule No. 2, General Meter Rates. When customer desires to change from flat rate to metered service, request must be made in writing.

EXHIBIT A
Page 2 of 3

Schedule No. 2

GENERAL METER RATESAPPLICABILITY

Applicable to all water service rendered on a measured basis.

TERRITORY

Throughout the entire service area as delineated on the map contained in the tariff schedules and located in Freeport Manor subdivision south of Sacramento in Sacramento County.

RATES

Quantity Rates:		Per Meter Per Month
First	800 cu.ft. or less.....	\$2.00
Next	1,200 cu.ft., per 100 cu.ft.....	.20
Next	3,000 cu.ft., per 100 cu.ft.....	.15
Next	5,000 cu.ft., per 100 cu.ft.....	.12
Over	10,000 cu.ft., per 100 cu.ft.....	.10

Minimum Charge:

For	5/8 x 3/4-inch meter.....	\$2.00
For	3/4-inch meter.....	2.75
For	1-inch meter.....	4.00
For	1 1/2-inch meter.....	6.00

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
Page 3 of 3

Schedule No. 3

FIRE PROTECTION SERVICE

APPLICABILITY

This rate is applicable to municipalities, duly organized incorporated fire districts, or other political subdivisions legally empowered to enter into a contract for fire protection service.

TERRITORY

Within the entire service area as delineated on the map contained in the tariff schedules and located in Freeport Manor subdivision south of Sacramento in Sacramento County.

RATES

Per hydrant, per month..... \$1.50