

ORIGINAL

Decision No. 47048

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 HALE A. HAMMER and EMMA W. HAMMER,)
 his wife, and CHARLES C. HAMMER, as)
 owners of the Denair Water Works,)
 for an order for the approval of)
 an adjustment in the water rates)
 for the said Denair Water Works in)
 the County of Stanislaus, State of)
 California.)

Application No. 32876

Hale A. Hammer, Emma W. Hammer and
Charles C. Hammer by Oliver K. K. Nelson
 of Rodin and Nelson, attorney for applicants;
Clyde F. Norris and Robert M. Mann, for the
 Commission staff.

O P I N I O N

Hale A. Hammer, Emma W. Hammer and Charles C. Hammer, doing business as Denair Water Works, by the above-entitled application filed November 7, 1951, request an order of the Commission authorizing an increase in rates and charges for water service rendered in and about the unincorporated town of Denair, Stanislaus County, California.

A public hearing on this application was held before Examiner Watters in Denair on March 18, 1952. At this hearing applicants amended the application to revise a portion of the proposed flat rate schedule and to add certain additional charges thereto, to restate the blocking and consumption rates of the proposed metered rate schedule, and to make other minor revisions and corrections.

The flat rates requested by applicants would increase the present minimum charges for residential customers by \$1 per

month, and for additional units taking service through the same service on each lot, by 25 cents per month. Increases in quantity charges in the metered rate schedule are also proposed, together with reblocking of this schedule. To date no customers have been served under the metered rate schedule although such a schedule is on file. The existing rates and those proposed by applicants, though different in form, are generally compared in the following tabulation:

FLAT RATE SERVICE

	<u>Per Month</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
For a 3/4-inch connection.....	\$ 2.00	\$ 3.00*
For a 1-inch connection.....	2.75	3.75*
For each additional single unit being served through the same service on each lot, for each added unit.....	1.00	1.25
For cooler per season.....	-	2.00

* That the rate schedule for residence dwellings includes the lot on which the house is situated up to a total of 2,000 sq. ft. of irrigated area, with an additional charge of 50 cents per 1,000 sq. ft. or portion thereof for areas irrigated in excess of specified area.

METERED SERVICE

Minimum Charges:	<u>Per Meter Per Month</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
For 5/8 x 3/4-inch meter.....	\$ 1.50	\$ 2.25
For 3/4-inch meter.....	1.75	2.75
For 1-inch meter.....	2.50	3.50
For 1 1/2-inch meter.....	3.50	5.00
For 2-inch meter.....	5.00	9.00
For 3-inch meter.....	10.00	17.50
For 4-inch meter.....	15.00	30.00
For 6-inch meter.....	20.00	45.00

Monthly Billings for Various Consumptions in Cubic Feet:

<u>Cubic Feet</u>	<u>Present</u>	<u>Proposed</u>
600	\$ 1.50*	\$ 2.25
800	1.80	2.25*
1,000	2.10	2.75
2,000	3.60	5.25
3,000	5.10	7.75
4,000	6.60	9.75
5,000	8.10	11.75
10,000	14.10	19.75
15,000	20.10	27.25
20,000	26.10	33.25
30,000	38.10	45.25
50,000	62.10	69.25

* Minimum for 3/4-inch meter.

The proposed flat rates would produce an increase of approximately \$2,200, or 48%, in the gross revenue now received by applicants.

In addition to the foregoing rates, applicants provide unmetered service at flat rates to the schools within the service area as follows: High school, \$12 per month; grammar school, \$8 per month; school (in old section of town), \$8 per month; club house, \$2 per month; school property being torn down adjacent to club house, \$1 per month; above rates totaling \$31 per month. No increase in rates for these school properties was requested and applicants further stated that they intended to continue the service thereto at the present rates. However, according to applicants' testimony a new school is being constructed which, among other facilities provided, is to be equipped with approximately 165 full- and half-circle sprinkler heads for irrigation. Applicants therefore requested that a flat rate of \$12 per month be authorized for this new school service.

Applicants' system consists of two deep wells, two 1,200-gallon steel pressure tanks, some 16,500 feet of distribution mains varying from 1 to 6 inches in diameter, and service

connections for approximately 171 customers. The present owners acquired the system September 1, 1950 under authority subsequently granted by this Commission in Decision No. 44902 (Application No. 31740) dated October 10, 1950. The father and son have operated the system personally since this transfer with the aid of a local part-time collection agent. The rates charged for service by the previous owners were adopted by applicants, these rates having been established by Decision No. 41800 (Application No. 29041) dated July 7, 1948. This water system was operated as two separate systems under the same ownership until interconnected by means of 1,100 feet of 4-inch transite pipe in 1949. The older of the two connected systems was commenced in 1907 to serve the area east of the Santa Fe Railway right of way. In about 1946 the new system was installed to serve new homes located west of the railroad.

This water system is experiencing the same ever-increasing costs of operation as have other utilities in recent years, while operating revenues have remained practically constant. Customer growth has been minor, 170 customers being served in 1949, 165 in 1950, and 171 in 1951. According to applicants, taxes alone have more than doubled since the last rate increase in 1948 and costs of repairs have substantially increased due to advanced prices for pipe, material and labor. Applicants therefore do not consider it possible to carry on effectively the operation of the system under the present rates and asked that operating revenues be increased to allow the payment of \$200 per month through operating expenses as the combined salaries of the operating owners plus an amount which would provide a return on the investment of from 5% to 8% or 9%. The profit and loss statement for the year 1951 contained in applicants' Exhibit No. 1 shows, with an

allowance of \$175 per month for owners' salaries, an operating loss of \$188.13.

In connection with Application No. 29041, an appraisal of the properties of this water system was made as of January 10, 1948 which was placed upon the books of the utility. Both applicants and the Commission staff presented evidence as to the undepreciated fixed capital as of December 31, 1951, which totaled \$22,938 and \$22,999, respectively. The depreciation reserve for this company has been accumulated on a straight-line basis and as of this same date amounted to \$4,298.39 according to the applicants and \$4,305.10 as determined by the staff engineer. In addition, the utility carries an item of \$1,588.60 in its fixed capital accounts for acquisition adjustment which will be eliminated in determining the investment upon which a return should be based. In the staff engineer's capital figures for the immediate future, \$1,500 had been estimated for additions and betterments for the coming year. Applicants stated that they could not estimate the amount of capital additions for 1952 although expenditures would be made during the year.

Applicants and the Commission staff presented results of operations for the year 1951 both based on applicants' present and proposed rates. The staff further adjusted the 1951 expenses for increased income taxes resulting from the proposed rates and made an estimate for the immediate future. After adjusting the staff

estimates of revenue for the effect of the amendment in rates made at the time of the hearing, the results of these analyses are as follows:

Item	Applicants:		Commission Staff		
	Year 1951	Year 1951	Year 1951	Immediate Future	Immediate Future
	Present	Present	Requested	Present	Requested
	Rates	Rates	Rates	Rates	Rates
<u>OPERATING REVENUE</u>					
Total Operating Revenue, Flat Rates	\$ 4,558	\$ 4,558	\$ 6,748*	\$ 4,715	\$ 7,016*
<u>OPERATING EXPENSES</u>					
Source of Water Supply	-	-	-	300	300
Pumping Expense	418	424	424	800	800
Distribution Expense	2,100)	1,764	1,764	840	840
Distribution Repairs	206)				
Commercial Expense	317	635	635	720	720
General Expense	734	928	928	1,210	1,210
Taxes	337	249	670	396	757
Depreciation	634	641	641	688	688
Total Operating Expenses	4,746	4,641	5,062	4,954	5,315
NET OPERATING REVENUE	(188)	(83)	1,686	(239)	1,701
AVERAGE FIXED CAPITAL	22,938	22,706	22,706	23,749	23,749
ACQUISITION ADJUSTMENT	(1,589)	(1,589)	(1,589)	(1,589)	(1,589)
UNDEPRECIATED RATE BASE (AVG.)	21,349	21,117	21,117	22,160	22,160
DEPRECIATION RESERVE (AVG.)	(4,298)	(3,985)	(3,985)	(4,649)	(4,649)
DEPRECIATED RATE BASE (AVG.)	17,051	17,132	17,132	17,511	17,511
RATE OF RETURN	(Loss)	(Loss)	9.84%	(Loss)	9.71%

(Negative Figure)

* Includes \$30 for effect of amendment to application of time of hearing.

∅ End-of-year figures.

From the above tabulation, it is apparent that the requested rates would produce a return somewhat in excess of that even suggested by applicants as a maximum limit. The record in this proceeding clearly indicates that applicants are, however, in need of substantial relief in the form of increased revenues in order to meet their operating expenses, including reasonable wages for the operating owners, and a fair return on plant investment. We find, therefore, that a depreciated rate base of \$17,500 is a fair and reasonable base upon which applicants are entitled to earn a return and that gross operating revenues of approximately \$6,168,

an increase of about 31% over present revenues, are needed by applicants. Such gross revenues will produce a net revenue of approximately \$1,123, or a return of 6.4% on the rate base, hereinabove found to be reasonable. For the purpose of this proceeding we find such return to be fair to the utility and not unreasonable to its customers.

At the time of the hearing, applicants requested that they be allowed to impose a limitation upon the use of water for purposes of irrigation between the hours of 6 a.m. to 9 p.m. during the six months from May to October, both inclusive, so that only half of the consumers on the system would use water for this purpose at any one time during this limitation period. While such a limitation upon service may be necessary, conclusive evidence to this effect, in our opinion, was not placed in evidence. It is the responsibility of the applicants to furnish a continuous and adequate supply of water to its customers by exercising reasonable diligence. Construction of such necessary reinforcements to the system as may be required for this purpose should be undertaken as soon as practicable. We shall therefore not authorize such a limitation rule.

Further, applicants requested at the hearing that they be allowed to impose a 10% penalty after the tenth day following the rendering of bills due and payable. However, it was disclosed that the utility's tariff schedule contains rules which have ~~been~~^{R24} been in effect for some years but differ from those recommended by the Commission staff. Applicants stated they had no objections to filing the new rules now recommended, and they will therefore be prescribed herein. These rules contain provisions covering non-payment of bills.

While considerable consumer interest in this rate increase proceeding was evident by the continued attendance of

consumers at the hearing, no one came forward to enter any protest. One interested party did come forward, however, and offered testimony on behalf of her daughter and brother who are consumers, and stated that pipe for approximately 200 feet of main extension had been paid for in the amount of about \$125 to the former owner of the water system in 1950 and asked that the money be refunded. It appeared from the testimony that several consumers have been served since this time through and beyond this same extension. No records of this transaction were produced by this party in support of the claim made. Assuming applicants and parties concerned can reasonably determine the facts in this matter, it would appear appropriate that the consumers involved be refunded such amounts as they would be entitled under the rules on file at the time the main extension was made. Lacking any documentary proof as a result of this hearing, it can only be suggested that should consumer and applicants be unable to reach an amicable adjustment, the matter should be referred to the Commission through complaint procedures.

The Commission staff engineer made certain recommendations at the hearing to applicants as a result of his field investigation of this water system. It was pointed out that the bookkeeping procedures followed were not considered by him to be satisfactory and the books should be set up and maintained by this utility more nearly in accordance with this Commission's uniform classification of accounts prescribed for water companies comparable in size to that of applicants. It was pointed out that the staff estimate for the immediate future included a monthly allowance of \$25 in operating expenses for this purpose. It was also recommended that an appropriate building ~~shed~~ or fence be constructed around the



pump tanks as a safeguard to these vital parts of applicants' system.

O R D E R

Hale A. Hammer, Emma W. Hammer and Charles C. Hammer, doing business as Denair Water Works, having applied to this Commission for an order authorizing 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 present rates, in so far as they differ from those prescribed herein, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicants are 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 schedule of rates, rules and conditions shown in Exhibit A attached hereto 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 June 1, 1952.
2. Applicants, within forty (40) days from the effective date of this order, shall file with this Commission four sets of revised rules governing relations with their customers, each set of which in addition shall contain a suitable map or sketch drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of their present 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. Applicants, 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 applicants.

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

Dated at San Francisco, California, this 22nd day of April, 1952.

A. J. [Signature]
President.

Julius F. [Signature]
Harold P. [Signature]

Kenneth [Signature]
John E. [Signature]
Commissioners.

EXHIBIT A
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Schedule No. 1

FLAT RATE WATER SERVICE

APPLICABILITY

Applicable to all water furnished on a flat rate basis.

TERRITORY

In and in the vicinity of the unincorporated town of Denair, Stanislaus County.

RATES

Per Month

For 3/4-inch service connection to dwelling, including 2,000 sq. ft. of irrigated area.....	\$2.75
For each additional dwelling house, apartment, store, or other single unit establishment being served through same service on each lot; for each additional unit.....	1.25
For irrigated area in excess of 2,000 sq. ft. included in dwelling rate for the period from April 30 to November 1, per 1,000 sq. ft.....	.50
For noncirculating type evaporative cooler for the period from April 30 to November 130
For School District Properties:	
High School	12.00
Grammar School (new section).....	8.00
Grammar School (old section).....	8.00
Club House.....	2.00
Property adjacent to Club House.....	1.00
New School, including 165 sprinkler heads.....	12.00

SPECIAL CONDITIONS

1. All service not covered by above classification will only be furnished water on a measured basis.

2. Meters may be installed at option of utility or customer for above classifications in which event service will thereafter be rendered only on the basis of Schedule No. 2, General Metered Water Service.

EXHIBIT A
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Schedule No. 2

GENERAL METERED WATER SERVICEAPPLICABILITY

Applicable to all water service furnished on a measured basis.

TERRITORY

In and in the vicinity of the unincorporated town of Denair, Stanislaus County.

RATES

Quantity Charge:	Per Meter Per Month
First 800 cu. ft. or less.....	\$2.25
Next 2,200 cu. ft., per 100 cu. ft.....	.25
Next 3,000 cu. ft., per 100 cu. ft.....	.20
Next 9,000 cu. ft., per 100 cu. ft.....	.15
Over 15,000 cu. ft., per 100 cu. ft.....	.12

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$2.25
For 3/4-inch meter.....	2.75
For 1-inch meter.....	3.50
For 1½-inch meter.....	5.00
For 2-inch meter.....	9.00
For 3-inch meter.....	17.50
For 4-inch meter.....	30.00
For 6-inch meter.....	45.00

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