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Decision No. 47057

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MALLIE O. RICHARDS and BERTHA A.)
RICHARDS, husband and wife, dba)
"WILLS WATER CO.")
For an Order authorizing an increase)
in rates; and, for an Order authorizing)
the change of the name of the aforesaid)
water utility.)

Application No. 33073

Mallie O. Richards and Bertha A. Richards
by L. A. MacNicol, attorney for applicants;
Clyde F. Norris and Robert M. Mann, for the
Commission staff; W. D. Christian, in propria
persona, an interested party; and, Elizabeth
S. Jordon, in propria persona, an interested
party.

O P I N I O N

Mallie O. Richards and Bertha A. Richards, doing business as Wills Water Company, by the above-entitled application, filed January 21, 1952, request an order of the Commission authorizing an increase in the rates and charges for water service rendered in and about the unincorporated town of Le Grand, Merced County, and to change the name of the aforesaid water utility to Le Grand Water Company. On March 12, 1952 applicants filed an amendment to the application and requested that "Amended Exhibit C" replace "Exhibit C" in the original application, the effect of which was to revise a portion of the proposed flat rate schedule, to restate the blocking and consumption rates of the proposed metered rate schedule, and to request that certain types of businesses be placed on metered service.

A public hearing on this application was held before Examiner Watters on March 19, 1952 at Le Grand. At this hearing applicants further orally requested an amendment to the amendment filed March 12, 1952 to restate the terminal block consumption of the metered rate schedule proposed therein.

The flat rates requested by applicants would increase the present minimum charges for residential customers in most instances by 50 cents per month plus additional charges where applicable for lot sizes in excess of 7,500 square feet and for each additional residence on the same lot, such additional charges not now being generally made. Applicants do not have metered rates on file but request the use of metered service for consumers who use unusually large quantities of water, and have proposed a general metered rate schedule. To date no customers are on metered service.

The flat rates on file are stated for each individual consumer and include one consumer at \$10 per year and the balance at monthly rates per consumer of, two at \$1, one at \$1.50, 61 at \$2, one at \$2.50, three at \$3, one at \$3.50, one at \$7.50, and two at \$25. The proposed flat rates, in addition to a basic \$2.50 per month charge for a single residence with additional charges thereto at the rate of 4 cents per 150 square feet over 7,500 square feet of lot and \$2 per additional residence on the same lot, are stated separately for many types and combinations of commercial and industrial

enterprises many of which do not presently exist in applicants' service area. The metered rates proposed by applicants are as follows:

METERED SERVICE

Minimum Charges:	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter.....	\$ 2.25
For 3/4-inch meter.....	3.00
For 1-inch meter.....	5.00
For 1 1/2-inch meter.....	7.50
For 2-inch meter.....	12.00
For 3-inch meter.....	20.00

Quantity Rates:

First 800 cu. ft., or less.....	\$ 2.25
Next 1,200 cu. ft., per 100 cu. ft.....	.25
Next 3,000 cu. ft., per 100 cu. ft.....	.20
Next 5,000 cu. ft., per 100 cu. ft.....	.15
Over 10,000 cu. ft., per 100 cu. ft.....	.10

In addition, applicants proposed for each new service connection a charge of \$12.50 for a 3/4-inch connection and \$15 for a 1-inch connection.

The proposed rates would produce an increase of approximately \$1,130, or 47%, in the gross revenue now received by applicants.

Applicants' system consists of two deep wells equipped with pumps, some 8,500 feet of distribution mains varying from 1 to 6 inches in diameter, and service connections for approximately 74 customers. Water is pumped directly from the wells into the distribution system with any surplus water being delivered into a 110,000-gallon steel standpipe rented under contract from the Santa Fe railroad and located on the railroad right-of-way. The present owners acquired the water system May 21, 1951 under authority granted by this Commission in Decision No. 45589

(Application No. 32266) dated April 17, 1951, and it has been operated personally by applicants since this transfer. The rates and rules presently in effect are those ordered filed by the decision.

The system was originally constructed in about 1917 by S. H. Wills who operated it until his death in 1942 at which time his son, Homer Wills, took over the system and operated it until it was transferred to applicants herein by the above referred to proceeding. Original cost records of this system were destroyed by a fire which occurred June 4, 1950 according to applicants' statement. The water system was not a matter of record of this Commission until the recent acquisition by the present owners. Accordingly, very limited factual original cost, revenue, expense and statistical data were placed in evidence at this hearing, the available operating data reflecting less than 12 months' experience.

Applicants' witness stated that the rates requested were predicated upon the purchase of a new storage tank of their own to be used in place of the storage tank rented under contract from the Santa Fe railroad. When this was to be accomplished was indefinite. However, more immediate plans called for the extension of service to pick up some additional customers, to improve facilities generally, and to purchase several meters for the larger water use consumers now on flat rates.

Estimated annual operating revenues under present rates and expenses were presented both by applicants and an engineer of the Commission staff, while the latter also presented estimates of the fixed capital, depreciation expense and depreciation reserve as of December 31, 1951 as well as an estimate of the operating revenue

under the rates requested by applicants. Applicants submitted testimony as to the physical facilities making up the water system, including a description of the lengths by sizes of distribution mains believed to be in the system, but did not attempt to develop a valuation of the various utility properties other than a statement as to the purchase price paid to the former owners, the cost of a pump replacement since purchase of the system and the value of the land upon which one of the wells is located. Applicants' distribution main descriptions differed materially from those of the staff engineer who stated that much of the staff analysis had been based upon plant descriptions obtained from all available sources. Based on the record, it is believed that the statement of fixed capital contained in the staff engineer's Exhibit No. 1 is reasonable and will be used for the purpose of this proceeding. However, the staff engineer's estimate of depreciated fixed capital as of December 31, 1951 in the amount of \$7,639 is fairly comparable to applicants' investment of \$8,200, which consists of the price paid by applicants for the utility properties of \$5,800, plus the cost of the new pump purchased August 1, 1951 and the well site.

The estimates of annual revenues and expenses as shown by applicants and by the staff are compared on the following page, together with the estimated rates of return, both on present and requested rates, as developed by the staff engineer.

Item	Applicants	Commission Staff	
	Present Rates	Present Rates	Requested Rates
OPERATING REVENUE			
Flat rates	\$2,238	\$ 2,410	\$ 3,540
OPERATING EXPENSES			
Power	600	600	600
Cost of Miscellaneous Materials & Supplies and Upkeep of Equipment	150	180	180
Office Expense	25	60	60
Taxes	85	100	100
Depreciation Expense	580	386	386
Labor Supervision and Repairs	1,248	900	900
Office Work, Billing, Collecting, Bookkeeping	260	240	240
Car Expense	180	180	180
Total Operating Expense	3,128	2,646	2,646
NET OPERATING REVENUE	(890)	(236)	894
ESTIMATED FIXED CAPITAL MATERIALS AND SUPPLIES UNDEPRECIATED RATE BASE		10,827	10,827
DEPRECIATION RESERVE		250	250
		<u>11,077</u>	<u>11,077</u>
		<u>(3,188)</u>	<u>(3,188)</u>
DEPRECIATED RATE BASE		7,889	7,889
RATE OF RETURN	(Loss)	(Loss)	11.33%
	<u>(Negative Figure)</u>		

From the preceding tabulation, it is apparent that the proposed rates would produce an excessive return. The record in this proceeding clearly indicates, however, that applicants are in need of substantial relief in the form of increased revenues in order to meet their operating expenses, including wages for the owner operators and a fair return on plant investment. We find, therefore, that a depreciated rate base of \$7,900 is a fair and reasonable base upon which applicants are entitled to earn a return and that gross operating revenues of approximately \$3,322, an increase of about 38% over present revenues, are needed by applicants. Such gross revenues

will produce a net revenue of approximately \$538, or a return of 6.8% 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.

In our opinion the schedule of flat rates proposed by applicants is cumbersome for a system of this size. Even the form of the single family residence rate, when consideration was given to the additional charges applicable thereto under certain circumstances, as evidenced by the record, appeared to be confusing and arbitrary to applicants and consumers alike. The premises survey furnished as a part of this record by applicants as Exhibit No. 7 has been used as a basis of design of the flat and metered rates hereinafter authorized, which rates should produce returns hereinabove found to be reasonable. The service connection charges proposed by applicants will not be authorized, as it is the policy of this Commission that private water utilities operating under its jurisdiction shall own the service connections and meters.

Applicants' request that the name of their water utility be changed from doing business as Wills Water Company to doing business as Le Grand Water Company will be authorized herein. Such change in name will require the adoption of the entire tariff schedule of this utility under the new name and will be so ordered.

Of the 26 customers present at the hearing, no one objected to a reasonable increase in rates, although one witness indicated that if the rates were set too high the system might lose customers through the development of private sources of water supply. One customer testified that during the summer when water was most needed in the evenings, she had to cease sprinkling on her premises

in order that her neighbors could obtain water for household use. It appears that this condition has existed for some years, and applicants will be expected to correct this situation before the summer season begins.

The staff engineer, based on his field investigation of this water system, recommended that adequate books and records of accounts, consistent with the size of this utility, should be established in accordance with this Commission's uniform classification of accounts prescribed for water utilities. Such records should include a statement of the fixed capital, estimated if not known, for which the determination thereof made by the Commission staff engineer and included in his Exhibit No. 1 could well be used as a guide in establishing such accounts. Records of capital expenditures, revenues and expenses, as well as required statistical data, should be regularly maintained. The staff estimate of expenses includes an allowance of \$20 per month for this purpose. The recommendations made herein, however, shall not be construed as a finding by this Commission of the value of the property or properties of this water utility.

O R D E R

Mallie O. Richards and Bertha A. Richards, doing business as Wills Water Company, 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 that 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 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.

IT IS HEREBY FURTHER ORDERED as follows:

1. Applicants, after the effective date of this order, shall change the name of their water utility from Wills Water Company to Le Grand Water Company and shall make the filings herein provided for under the new name.
2. Applicants, doing business as Le Grand Water Company, within forty (40) days from the effective date of this order, shall file with this Commission in quadruplicate a statement of the adoption of the rules presently on file under the name of Wills Water Company together with four copies of 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

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Schedule No. 1

FLAT RATE WATER SERVICEAPPLICABILITY

Applicable to all water service furnished on a flat rate basis to domestic or residential consumers.

TERRITORY

In and in the vicinity of the unincorporated Town of Le Grand, Merced County.

RATES

	<u>Per Month</u>
Single family residence on a lot 50 x 150 feet or less, or containing not more than 7,500 sq. ft.....	\$ 2.25
For each additional residence on the same lot and receiving service through the same connection.....	1.75
For irrigation of cultivated areas in excess of the 7,500 sq. ft. included in the residential or business charge, per 100 sq. ft.....	.04
Small businesses, such as barber shops, grocery stores, drug stores, community halls.....	2.75
For each recirculating type evaporative cooler for the period April 31 to November 1.....	.25
For each non-recirculating type evaporative cooler for the period April 31 to November 1.....	.50

SPECIAL CONDITION

Meter 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.

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Schedule No. 2

GENERAL METERED WATER SERVICE

AFFLICABILITY

Applicable to all water service furnished on a measured basis.

TERRITORY

In and in the vicinity of the unincorporated Town of Le Grand, Merced County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Charge:	
First 800 cu. ft., or less.....	\$2.00
Next 4,200 cu. ft., per 100 cu. ft.....	.20
Next 5,000 cu. ft., per 100 cu. ft.....	.15
All 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.....	3.00
For 1-inch meter.....	5.00
For 1 1/2-inch meter.....	7.50
For 2-inch meter.....	12.00
For 3-inch meter.....	20.00

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

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Schedule No. 3

TEMPORARY FLAT RATE WATER SERVICEAPPLICABILITY

Applicable to all unmeasured water service rendered to consumers other than domestic or residential consumers until meters can be installed by utility.

TERRITORY

In and in the vicinity of the unincorporated Town of Le Grand, Merced County.

RATES

	<u>Per Month</u>
H. V. Lambert, Locker Plant & Restaurant.....	\$12.00
Le Grand Elementary School.....	30.00
Merced County (fire protection recreational facilities).....	30.00
Shell Service Station.....	4.00
Chevron Service Station.....	4.00
Packing Shed.....	6.00
Santa Fe Railroad (until such time as utility provides own storage facilities or present contract with Santa Fe Railroad is terminated).....	7.50

SPECIAL CONDITIONS

1. No new service connections may receive service under this schedule.
2. Existing nondomestic consumers may receive metered service as soon as the arrangement of piping will permit and thereafter may receive service only under Schedule No. 2, General Metered Water Service.

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 29th day of April, 1952.

R. J. [Signature]
President.

Harold P. Hula

[Signature]

[Signature]

Commissioners.

Commissioner JUSTUS F. CRAEMER, being necessarily absent, did not participate in the disposition of this proceeding.