

ORIGINAL

Decision No. 47532

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
CALIFORNIA WATER SERVICE COMPANY, a )  
corporation, for an order authoriz- )  
ing it to increase rates charged for )  
water service in the City of Visalia )  
and vicinity. )

Application No. 32879

McCutchen, Thomas, Matthew, Griffiths & Greene, by  
Robert Minge Brown, for applicant; City of Visalia,  
interested party, by Nathaniel O. Bradley, Assistant  
City Attorney; John Power and C. G. Ferguson, for the  
Commission staff.

O P I N I O N

By the above-entitled application, filed November 8, 1950,  
California Water Service Company seeks an order of this Commission  
authorizing increased charges for water service rendered by it in  
the City of Visalia and vicinity in Tulare County.

A public hearing in the matter was held before Examiner  
Emerson on May 20, 1952 at Visalia. No person came forward at the  
hearing to register any objection to an increase in water rates or  
to indicate any complaint as to the service presently rendered.

Rates, Present and Proposed

The rate schedules now in effect in the company's Visalia  
District, except for fire protection service, are those filed  
February 24 and March 1, 1949 and made effective March 1, 1949 as  
authorized by the Commission's Decision No. 42481, dated February 1,  
1949, in Application No. 29391.

The rates applicable to unmeasured water service rendered  
to domestic or residential consumers, now in effect and as proposed  
by the company, are tabulated below for comparative purposes.

Domestic Flat Rate Service

| <u>Classification of Use</u>   | <u>Per Service per Month</u> |                       |
|--|------------------------------|-----------------------|
|  | <u>Present Rates</u>         | <u>Proposed Rates</u> |
| For each residence of 5 rooms or less  | \$1.30                       | \$1.60                |
| For each additional room.....  | .20                          | .25                   |
| For each flush toilet.....   | .15                          | .19                   |
| For each bath or shower.....   | .15                          | .18                   |
| For sprinkling or garden irrigation, applicable during the months of May, June, July, August, September and October of each year, but payable in equal monthly installments throughout the year: |                              |                       |
| For the first 100 sq.yds. or less....  | .60                          | .74                   |
| For the next 200 sq.yds., per sq.yd.   | .006                         | .007                  |
| For the next 1,000 sq.yds., per sq.yd.   | .004                         | .005                  |
| For all over 1,300 sq.yds., per sq.yd.   | .002                         | .0025                 |

The following tabulation shows the schedule of rates for general metered service as presently in effect and as proposed by the company:

General Metered Service

| <u>Quantity Rates:</u>                | <u>Per Meter per Month</u> |                       |
|---------------------------------------|----------------------------|-----------------------|
|                                       | <u>Present Rates</u>       | <u>Proposed Rates</u> |
| First 500 cu.ft. or less.....         | 1.00                       | 1.50                  |
| Next 2,500 cu.ft., per 100 cu.ft....  | .15                        | .16                   |
| Next 2,000 cu.ft., per 100 cu.ft....  | .15                        | .12                   |
| Next 5,000 cu.ft., per 100 cu.ft....  | .10                        | .12                   |
| Next 20,000 cu.ft., per 100 cu.ft.... | .07                        | .12                   |
| Over 30,000 cu.ft., per 100 cu.ft.... | .07                        | .08                   |
| <u>Minimum Charge:</u>                |                            |                       |
| For 5/8-inch meter.....               | \$1.00                     | \$1.50                |
| For 3/4-inch meter.....               | 1.40                       | 1.95                  |
| For 1-inch meter.....                 | 2.40                       | 2.90                  |
| For 1-1/2-inch meter.....             | 4.00                       | 5.00                  |
| For 2-inch meter.....                 | 7.00                       | 7.00                  |
| For 3-inch meter.....                 | 12.00                      | 13.50                 |
| For 4-inch meter.....                 | 20.00                      | 21.00                 |
| For 6-inch meter.....                 | 40.00                      | 37.00                 |
| For 8-inch meter.....                 | 60.00                      | 54.00                 |

On the average a typical residential customer receiving either flat rate or metered service would be billed an average increase of about 60 cents per month, under the proposed rates.

The schedule of rates for flat rate service, rendered to consumers other than domestic or residential consumers until meters can be installed, contains some 37 listings, varying from \$0.32 to

\$232.20 per month, as filed on March 1, 1949. A similar schedule, containing a comparable number of listings, is proposed by the company to increase these rates, practically uniformly, varying from \$0.39 to \$250 per month. A uniform increase of 23% is proposed for customers served under these flat rates.

The present rate schedule for private automatic fire sprinkler service, filed July 21, 1937, includes rates for service through 4-inch, 6-inch and 8-inch connections. The company now proposes a schedule for private fire protection service to include additional sizes of connections and to increase the existing rates, but eliminating rates for inside hose connections.

Heretofore the company has filed no rate for public fire protection service through fire hydrants. Now the company proposes to file a rate of \$1 per month for each hydrant connected after the date the proposed rate is authorized. Fire hydrant rentals prior to such date have been included in a flat rate service charge to the city.

#### Description of the System

The first water system available for use of the public in Visalia was installed about 1874. After having been successively owned and operated by C. T. Lindsey, A. G. Wishon, Visalia Water Company, Visalia City Water Company and Federal Water Service Corporation, applicant obtained the properties as of April 19, 1927.

All of the water now served is obtained from 19 company-owned wells, which vary in depth from 55 to 293 feet and in casing size from 9 inches to 16 inches in diameter. All of the wells have pumps driven by electric motors. In addition, two pumping plants are equipped with gasoline engines for emergency standby operations. The entire Visalia District is operated as a single pressure zone. Peak consumption demands are met by means of two storage tanks having a combined capacity of 600,000 gallons.

During the year 1951 applicant served an average of 5,314 consumers and 200 fire hydrants.

System Growth and Cost Trends

The last rate increase in Visalia was made necessary by increased costs of construction and operation encountered to the year 1948. At that time it was contemplated that postwar growth of the community and corresponding expansion and reinforcement of the water system might have reached its peak and that a leveling off of growth and cost trends might ensue. The district has continued to grow, however, and the processes of inflation were not lessened but, to the contrary, accelerated. Applicant has increased its capital investment in Visalia by more than \$100,000 in every year since the last rate case. Prices of material and supplies and all incidental costs are now considerably higher than in 1948. Labor costs have also continually risen, the company having had to meet six general wage increases in the postwar period. Property taxes have increased 100% and income taxes 37% since 1948.

The record in this proceeding shows that applicant has installed more than 65,000 feet of distribution main, placed six wells in operation and has connected 1,063 new services in the past three years. Gross additions have exceeded \$370,000. The construction budget for the year 1952 is approximately \$106,000 and provides for a complete new pumping station with auxiliary equipment, system reinforcements and extensions to adequately service 300 anticipated new customers, and certain specifically required replacements.

Financing of Properties and Expansion

In meeting its capital requirements through the issuance of securities, applicant seeks to provide for all of its plants and not for one particular system or district. In general it has

financed its investment in plant through the issue of bonds, notes, preferred stock and common stock. It also has used its depreciation reserve monies and earned surplus. As of the end of 1951 its capital structure consisted of 56.4% long term debt, 20.3% preferred stock and 23.3% common stock and surplus.

The presently outstanding first mortgage 3½% bonds, issued during the period 1945-1950, have an over-all effective interest rate of 2.98%. The first mortgage 3-5/8% bonds now outstanding, issued in 1951, have an effective interest rate of 3.69%. Outstanding shares of preferred stock carry cumulative dividends as follows:

|                              |      |
|------------------------------|------|
| Series C, issue of 1945..... | 4.4% |
| Series D, issue of 1948..... | 5.3  |
| Series E, issue of 1949..... | 5.28 |
| Series F, issue of 1950..... | 5.36 |

The common stock, on which \$2 per share dividends have been paid each year since 1942, has had a steadily declining market value in the postwar years. Its market price was at a high of \$44 in 1946. In 1951 its high point was \$28.75 and its low was \$25.50. The par value is \$25.

Applicant's stock is widely distributed. No single stockholder owns as much as 2% of the total shares. From the rate and earning viewpoint its standing in the money market must be on at least the same level as other utilities of like characteristics or it may not be able to obtain the amount of capital so necessary to the financing of its ever expanding growth in plant. In passing upon the present proceeding, the Commission must consider, among other things, not only the historical cost of capital but also the maintenance of applicant's earnings at such point as will enable it to raise additional capital.

#### Rate Base

In developing a rate base on which applicant may be entitled to earn a return, applicant used as a starting point the same fixed

capital and methods heretofore established or followed by the Commission's staff of engineers. Depreciated rate bases were developed from the weighted average undepreciated rate bases by deducting the adjusted depreciation reserve <sup>delete</sup> on a 4½% sinking fund basis as of the beginning of the period. In this latter connection, applicant by letter agreement with the staff, dated March 20, 1952, adopted the 4½% sinking fund remaining life method of depreciation accounting and correspondingly altered its books of account thereto as of January 1, 1952.

For the year 1951 applicant derived a depreciated rate base of \$1,016,000 while the staff derived a corresponding base of \$1,011,000. The depreciated rate bases of applicant and staff, for the estimated year 1952, are \$1,113,656 and \$1,114,000, respectively.

Revenues, Expenses and Rate of Return

Applicant, in its development of revenues and expenses, as in the development of rate base, in the main adopted Commission staff procedures in adjusting its results of past operations and in estimating most of its future operating expenses. There is, therefore, no substantial disagreement between the results of operations as presented by applicant and the staff.

For the adjusted year 1951 and the estimated year 1952, on a modified sinking fund basis in which 4½% interest on the depreciation reserve is included as an operating expense, the results of operations for the Visalia District as adopted for the purposes of this proceeding are as follows:

| Item                 | Adjusted Year 1951 |                | Estimated Year 1952 |                |
|----------------------|--------------------|----------------|---------------------|----------------|
|                      | Present Rates      | Proposed Rates | Present Rates       | Proposed Rates |
| Operating Revenues   | \$190,266          | \$235,717      | \$202,000           | \$249,810      |
| Operating Expenses   | 148,185            | 172,706        | 157,296             | 183,089        |
| Net Revenues         | 42,081             | 63,011         | 44,704              | 66,721         |
| Rate Bases (Deprec.) | 1,016,000          | 1,016,000      | 1,114,000           | 1,114,000      |
| Rates of Return      | 4.14%              | 6.20%          | 4.01%               | 5.99%          |

It is apparent, from the above tabulation, that applicant is experiencing a less than satisfactory return and is also faced with a declining rate of return under the proposed rates. Obviously applicant cannot enjoy increased rates for the full year of 1952. By the time new rates will have been effective for a full year, additional facilities will have been installed. It is reasonable to expect that because of the downward trend apparent above, applicant will realize a rate of return of about 5-3/4% in any near-future period under the rates proposed.

Conclusion

It is apparent from the evidence that the present rates will yield inadequate income from future service rendered in Visalia. The record likewise indicates and we hereby find that the rate of return of 5-3/4%, which applicant will receive from its proposed schedules of increased rates, is reasonable. The requested rates are reasonable and will be authorized.

*Permit*

O R D E R

California Water Service Company having applied to this Commission for an order authorizing increases and charges for water service rendered in Visalia and vicinity, Tulare County, a public hearing thereon 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 is authorized to 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 Commission and to the public to make said rates effective for service rendered on and after September 1, 1952.

insert

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

Dated at San Francisco, California, this 5<sup>th</sup> day of August, 1952.

A. J. [Signature]  
President.

James J. [Signature]  
Harold B. [Signature]

[Signature]  
[Signature]  
Commissioners.



EXHIBIT A  
Page 1 of 6

## Schedule No. 1

DOMESTIC FLAT RATE SERVICEAPPLICABILITY

Applicable to all unmeasured water service rendered to domestic or residential consumers.

TERRITORY

In the City of Visalia, Tulare County, and in the vicinity thereof.

RATES

|   | <u>Per Service</u><br><u>Per Month</u> |
|---|--|
| For each residence of five rooms or less.....   | \$1.60                                 |
| For each additional room.....   | .25                                    |
| For each flush toilet.....  | .19                                    |
| For each bath or shower.....  | .18                                    |
| For sprinkling or garden irrigation, applicable<br>during the months of May, June, July, August,<br>September and October of each year, but payable<br>in equal monthly installments throughout the year. |  |
| For the first 100 square yards or less.....   | .74                                    |
| For the next 200 square yards, per square yard.....   | .007                                   |
| For the next 1,000 square yards, per square yard.....   | .005                                   |
| For all over 1,300 square yards, per square yard.....   | .0025                                  |

SPECIAL CONDITION

Any new applicant for domestic or residential service of water may select either flat or meter rates. Any domestic or residential consumer heretofore served at meter rates may exercise his option to be served without a meter at flat rates and, likewise, any domestic or residential consumer heretofore served at flat rates may exercise his option to be served through a meter; provided, however, that when an applicant or consumer has exercised his option to be served under either schedule, such applicant or consumer must agree, while he remains a consumer, to accept service at the selected rates for a period of at least twelve (12) consecutive months.

EXHIBIT A  
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## Schedule No. 2

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In the City of Visalia, Tulare County, and in the vicinity thereof.

RATES

| Quantity Rates:                                     | Per Meter<br>Per Month |
|---|------------------------|
| For the first 500 cubic feet, or less.....          | \$1.50                 |
| For the next 2,500 cubic feet, per 100 cu. ft.....  | .16                    |
| For the next 27,000 cubic feet, per 100 cu. ft..... | .12                    |
| For all over 30,000 cubic feet, per 100 cu. ft..... | .08                    |

## Minimum Charge:

|                           |         |
|---------------------------|---------|
| For 5/8-inch meter.....   | \$ 1.50 |
| For 3/4-inch meter.....   | 1.95    |
| For 1-inch meter.....     | 2.90    |
| For 1 1/2-inch meter..... | 5.00    |
| For 2-inch meter.....     | 7.00    |
| For 3-inch meter.....     | 13.50   |
| For 4-inch meter.....     | 21.00   |
| For 6-inch meter.....     | 37.00   |
| For 8-inch meter.....     | 54.00   |

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. 3

SPECIAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

In the City of Visalia, Tulare County, and in the vicinity thereof.

RATES

|  | <u>Per Month</u> |
|--|------------------|
| Small families occupying rooms in second and third stories..... \$   | 1.59             |
| Hotels and lodging houses, rates subject to special agreement in accordance with quantity of water used to be determined by meter or otherwise, not to exceed meter rates (Schedule No. 2) |                  |
| Restaurants and eating houses.....   | 4.43 - 7.38      |
| Louis Lucier.....  | 8.88             |
| Katherine Robinson.....  | 11.34            |
| Lanffenhagen.....  | 19.59            |
| Mrs. Ford Wallace.....   | 11.75            |
| Mrs. S. W. Huth.....   | 13.73            |
| Tay Stanley.....   | 11.43            |
| Nelson Hotel.....  | 8.33             |
| Olive White.....   | 9.91             |
| Balconies.....   | 10.39            |
| The Victoria.....  | 5.63             |
| (Company to change above listing so as to include the names of the occupants of the identical premises as of September 1, 1952.)   |                  |
| Small stores and shops.....  | .80 - 1.59       |
| Large stores and warehouses.....   | 2.95 - 5.97      |
| Saloons.....   | 3.20 - 4.00      |
| Rooms in second and third stories occupied as offices, for each room with water.....   | .80              |
| Photograph galleries.....  | 3.69 - 7.38      |
| Public water closets where there is only one bowl.. for each additional bowl.....  | 2.21             |
| Public urinals.....  | 1.59             |
| Sickle's Bakery.....   | 5.17             |

EXHIBIT A  
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Schedule No. 3

SPECIAL FLAT RATE SERVICE  
(Continued)

RATES (Continued)

|   | <u>Per Month</u> |
|---|------------------|
| Drug stores without soda fountains.....   | \$ 2.77 - 4.18   |
| Drug stores where soda fountains are used.....  | 2.77 - 5.97      |
| Barber shops where not more than 2 chairs are used..  | 1.59             |
| for each additional chair.....  | .80              |
| For use of hose in front of stores and shops for washing windows and sprinkling sidewalks, according to frontage..... | .39 - .80        |
| Meat markets.....   | 2.21             |
| Garages, automobile shops and automobile liveries...  | 3.75             |
| Mortuaries.....   | 3.69 - 7.38      |
| S. P. R. R. Depot.....  | 15.87            |
| Visalia Cannery.....  | 12.69            |
| Blacksmith shops for the use of hose for cooling...   | 1.59             |
| For each forge or fire used in shop.....  | .39              |
| Public halls, clubs, lodge rooms.....   | 1.59             |
| City of Visalia:  |                  |
| Parking strip on Mineral King Avenue)   |                  |
| Lincoln Oval Park   |                  |
| City Hall   |                  |
| Fire House  |                  |
| Auditorium  |                  |
| City Park and City Yards  |                  |
| Hospital flat rate service  |                  |
| City Library  |                  |
| 199 Fire Hydrants   |                  |
|   | 250.00           |

SPECIAL CONDITIONS

1. No new service connections may receive service under this schedule.
2. Existing nondomestic consumers are to be metered as soon as the arrangement of piping will permit, and thereafter charges for service will be based on "General Metered Service" rates, Schedule No. 2.
3. For additional hydrants connected to the Company's distribution mains charges set forth in Schedule No. 4 will apply.

Schedule No. 4

PUBLIC FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to fire hydrants connected to the Company's distribution mains in addition to those enumerated in Schedule No. 3.

TERRITORY

In the City of Visalia, Tulare County, and in the vicinity thereof.

RATES

|                                | <u>Per Month</u> |
|--------------------------------|------------------|
| For each hydrant over 199..... | \$1.00           |

EXHIBIT A  
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Schedule No. 5

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable only to a private fire protection service to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the Company, and are maintained to the satisfaction of said Company.

TERRITORY

In the entire area served by the Company in its Visalia District, in Tulare County.

RATES

|                         | <u>Per Month</u> |
|-------------------------|------------------|
| 1½-inch connection..... | \$ 3.00          |
| 2-inch connection.....  | 3.50             |
| 3-inch connection.....  | 10.00            |
| 4-inch connection ..... | 16.00            |
| 6-inch connection.....  | 20.00            |
| 8-inch connection.....  | 25.00            |
| 10-inch connection..... | 35.00            |

SPECIAL CONDITIONS

1. The company may install the standard detector type meter approved by the Board of Underwriters for protection against theft, leakage, or waste of water.

2. If a distribution main of adequate size to serve a private fire extinguishing system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed at the cost of the Applicant.