

ORIGINAL

Decision No. 47720

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

RAY ABENDSCHAN, et al.,)
)
 Complainants,)
)
 vs.)
)
 DEL ESTE WATER COMPANY,)
 a corporation,)
)
 Defendant.)

Case No. 5357

Laurence B. Martin, for complainants.
John C. Luthin, for defendant.

O P I N I O N

Complainants allege that defendant's metered water service rates are unreasonable, excessive and discriminatory as applied to the company's Salida consumers. They seek restoration of flat rate service in the community, which is served by one of seven distinct water systems operated by defendant in the vicinity of Modesto.

Defendant, by its answer, asserts that the practice of metering services is not in itself discriminatory, but merely tends to prevent wasteful use of water; that metered rates before July 15, 1951, when the increase complained of became effective, were too low and failed to promote conservation of water; that the company is engaged in a program of metering all its services as rapidly as financially feasible; that present metered rates are lower, in many instances, than those charged in comparable areas; that the complaint lacks facts relative to the effect of the rates upon the company's return on its invested capital.

A public hearing was held at Salida on August 12, 1952, before Examiner Gregory. The record includes testimony, water service bills and other exhibits introduced by some of the 31 complainants, studies by a Commission engineer and by a consulting engineer retained by the company, and testimony and exhibits by certain company officials. Counsel for complainants did not press the charge of unreasonableness of the present rates; hence, the only issue is whether the company's practice of metering its Salida services, while supplying water under flat rates elsewhere, constitutes unlawful discrimination.

Defendant serves approximately 6,500 consumers. About 5,700 of these are served under flat rates. Three systems are fully metered; viz., Salida, with about 330 patrons; Highway Village, with some 53 users, and an area adjoining Turlock, with approximately 85 consumers. About 200 other customers, including 20 industries, scattered throughout the company's operating territory also receive metered service. The company's plans call for installation of 200 to 300 meters annually.

Meters were first installed on the Salida system in 1947 or 1948, after the company had secured from the Commission authority to render metered service in Salida. (Decision No. 37648, January 30, 1945, Application No. 25672.) The basic metered rate established at that time was \$1.50 per meter per month for a 5/8 x 3/4-inch meter and a quantity charge of \$0.075 per 100 cubic feet for the first 5,000 cubic feet of water. Metered rates established in 1951 for all systems operated by the company increased the minimum charge for a 5/8 x 3/4-inch meter to \$2 per month and the quantity charge for the first 1,000 cubic feet or less to \$2 per month. (Decision No. 45848, June 19, 1951, Application No. 31810.)

Prior to July 15, 1951, the basic flat rate was \$1.50 per month for residences of five rooms or less occupied by a single family, with other charges for various types of dwellings and commercial establishments and for garden irrigation. The basic flat rate was increased by Decision No. 45848 to \$2.70 per month for a 3/4-inch connection, with additional charges for multiple units taking service through the same connection. The rates established in 1951, which were somewhat lower than those proposed by the company, were designed to produce system gross revenues of \$209,800, net revenue of \$41,000 and a return of slightly over 6% on a depreciated rate base of \$673,000 for a normal 12-month period in 1951.

The new metered rates, which were substantially higher than those previously charged in Salida, became effective in the month of heaviest consumption. The former metered rates were too low to encourage economy in use of water. Consequently, continued high consumption under the new rates resulted in higher bills for many consumers, although the rates themselves were shown to be comparable with those charged by several fully metered public utility water systems in nearby areas. Such comparisons, however, are of little value in the absence of other data, not found in this record, indicating substantially similar operating conditions for the systems compared.

Twenty-six of the 31 complainants paid only the minimum monthly charge for their service for periods ranging from five months to one year following the increase in rates. In the same period, over 50% of the Salida consumers used less than 1,000 cubic feet and approximately 80% used less than 2,000 cubic feet of water per month. Before the increase, when the minimum metered rate was \$1.50 per month, the average monthly bill for Salida

consumers was less than \$2. For the year after the increase the average monthly income from all defendant's consumers was \$3.15 and from its Salida patrons was \$3.10.

The company's tariff permits the installation of meters at the option of the utility or the customers. Metered service rates were secured and meters installed on the Salida system to correct an unworkable flat-rate situation inherited by the company when it acquired two predecessor systems in Salida in 1942 and 1943.

The practice of metering water service results in matching consumption to true water requirements, which in turn reduces operating expenses and capital outlay, thus resulting in more efficient operation and the lowest possible rates. Under the new rates, many of the smaller users in Salida now pay less than they would have to pay for flat rate service. Others pay for the amount of water they consume. We cannot say, on this record, that the application of metered service rates to customers of the Salida system constitutes unlawful discrimination.

There is no need to discuss the two engineering reports in detail, since, as we have said, complainants did not press the question of reasonableness of the rates. In general, the studies compared results of all the company's systems and the Salida system for two fiscal years commencing August 1, 1950; i.e., one year before and one year after the 1951 rate increase. It is plain, from these studies, that the company's over-all revenue experience in the year following the increase has been more favorable than might have been anticipated from the estimates used in the 1951 rate case, although the rate of return calculated for the Salida system alone closely approximates the result of slightly over 6% anticipated for the company's entire operations. Divergence, in some respects substantial, between the two studies, upon

analysis was found to lie in different approaches by the authors of the reports to the treatment of certain rate base items, revenues and operating expenses, including taxes and depreciation expense. Otherwise, the studies exhibit no significant variance.

We make no determination here of the reasonableness of defendant's rates, since the issue is not before us in this case and the record is not sufficiently broad for that purpose. In view of the facts, developed on this record, which indicate that the company may be earning an excessive rate of return, the Commission will institute an investigation, on its own motion, into the reasonableness of the company's rates.

The complaint will be dismissed.

O R D E R

R. J. M.
Public hearing having been held upon the complaint herein, ~~and upon the same matter~~, the matter having been submitted, the Commission now being fully advised and being of the opinion that no just cause for complaint has been made to appear herein, *R. J. M.*

IT IS ORDERED that the complaint herein be and it hereby is dismissed.

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

Dated at San Francisco, California, this 16th day of September, 1952.

R. J. M.

President.
Justin J. Cooper

Harold A. Hale

Peter E. Mitchell

Commissioners.