

**ORIGINAL**Decision No. 49338

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CROCKER-HUFFMAN LAND )  
 AND WATER COMPANY for an order of )  
 the Public Utilities Commission of )  
 the State of California authorizing ) Application No. 34632  
 increased water rates (and new rules )  
 and regulations) in the City of )  
 Merced and adjacent territory. )

Morrison, Hohfeld, Foerster, Shuman and Clark,  
 by Forrest A. Cobb, for applicant;  
R. E. Graham, for City of Merced, interested  
 party;  
Hal. F. Wiggins, for the Commission staff.

O P I N I O N

By the above-entitled application, filed August 12, 1953 and as amended January 5, 1954, Crocker-Huffman Land and Water Company, a California corporation, seeks an order of this Commission authorizing increases in rates and charges for water service rendered in Merced and vicinity.

A public hearing in the matter was held before Examiner Emerson on February 24, 1954 at Merced. No person appeared as a protestant to applicant's request for increased rates.

Applicant's Position and Request

Applicant seeks an increase in annual gross revenues of about \$92,000, an amount which it estimates will be sufficient to earn a fair rate of return on its investment in water properties used in the Merced system.

Applicant alleges that its net revenues under existing rates have steadily declined during the past several years while its investment in plant facilities has steadily increased. As a

result, it finds that on its rate bases ranging between \$862,000 in 1951 and \$1,020,000 in 1954, the rate of return realized has reached a record low of about 1.7 per cent. It seeks to improve its earning position to one which would yield a rate of return of slightly better than 6 per cent. On the average, this would require a gross revenue increase of about 49 per cent.

This proceeding is applicant's first rate-fixing proceeding. Present rates have remained substantially unchanged since first established approximately 65 years ago.

Of the total of approximately 4,800 consumers connected to the system, about 3,900 are served at flat rates. Billings for flat rate customers are based upon a rate schedule which sets forth individual charges for 54 distinct water usages. Such schedule is <sup>is</sup> unwieldy and in ~~many~~ instances outmoded. However, the present bill for an average residential or commercial customer is approximately \$2.10 per month. Applicant proposes to simplify the rate schedule by basing the monthly bill upon the area of the premises served. On such basis the same type of average customer on a lot containing 7,500 square feet would be billed a flat charge of \$3.20 per month. The proposed flat rates would range from a minimum of \$2.70 per month to \$3.70 per month for a lot containing 10,000 square feet.

Applicant serves about 900 consumers on a measured basis. It proposes increasing the minimum charge from \$1.50 to \$2.50 per month but will supply an additional 300 cubic feet of water for the increased charge. Succeeding blocks are proportionately increased except for the terminal block which it proposes to keep at the present charge of 7½ cents per 100 cubic feet.

No increase in charges is proposed for public fire hydrant service or for private fire protection service.

Service to schools is presently billed on the basis of average daily attendance. Applicant proposes to charge flat rate rates for school service and for public park service based upon the size of connection and the dimensions of the premises.

#### Applicant's Operations

Applicant corporation developed the water system and has been its sole owner and operator. In addition the corporation is engaged in other enterprises, including a beef cattle operation, rice lands, security investments and the control of a wholly owned subsidiary whose funds are invested in securities. Applicant's water operations are accounted for separately from any other operations.

The water system presently obtains its water supply from nine deep wells at five pump stations. The water is delivered into three elevated steel storage tanks, having an aggregate capacity of 1,000,000 gallons, and directly into the distribution system during periods of peak demand. The distribution system contains over 300,000 feet of cast iron mains ranging in size from 16 inches to 3 inches in nominal diameter. The present peak capacity of the wells and pumping equipment is in excess of 19,300 gallons per minute, an amount well above the peak demands of present consumers.

#### Analysis of Presentations

Applicant and the Commission staff, through exhibits and oral testimony, presented detailed analyses of results of operations

for the past years together with estimates of operations in 1954.

These presentations are summarized as follows:

Item	Present Rates		Proposed Rates	
	Applicant	CPUC Staff	Applicant	CPUC Staff
<u>Year 1952</u>				
Net Revenue	\$ 25,286	\$ 19,272	\$ -	\$ -
Rate Base	938,409	935,560	-	-
Rate of Return	2.69%	2.06%	-	-
<u>Year 1953</u>				
Operating Revenues	\$184,150	\$184,489	\$274,728	\$271,834
Operating Expenses				
Before Taxes & Depr.	113,306	109,741	113,306	109,828
Taxes <sup>a</sup>	30,163	30,716	78,683	77,792
Depreciation	23,813	26,598	23,813	26,598
Total Oper. Exps.	167,282	167,055	215,802	214,218
Net Revenue	16,868	17,434	58,926	57,616
Rate Base (Depr.)	990,843	989,730	990,843	989,730
Rate of Return	1.70%	1.76%	5.95%	5.82%
<u>Year 1954</u>				
Operating Revenues	\$192,116	\$194,101	\$286,717	\$286,071
Operating Expenses				
Before Taxes & Depr.	113,965	113,945	113,965	114,037
Taxes <sup>b</sup>	32,032	32,106	78,501	77,282
Depreciation	25,413	28,552	25,413	28,552
Total Oper. Exps.	171,410	174,603	217,879	219,871
Net Revenue	20,706	19,498	68,838	66,200
Rate Base (Depr.)	1,019,696	1,064,010	1,019,696	1,064,010
Rate of Return	2.03%	1.83%	6.75%	6.22%

a. Including federal income taxes at 52%

b. Including federal income taxes at 47%

It is apparent from the above tabulation that applicant is not now earning a reasonable rate of return nor will it earn a reasonable return if present rates are continued.

The record in this proceeding shows that although different methods of adjustment and estimating were employed by the respective experts of applicant and the Commission staff, the independently determined amounts of revenues and operating expenses are in substantial agreement. The only difference between applicant and staff which is of significance lies in the determination of an appropriate rate base for the year 1954. In this latter respect the major differences lie in the allowance for average materials

and supplies; where applicant and staff differ by approximately \$40,000, and in the amount of the depreciation reserve, where the difference is about \$3,000. Differences in other elements of the rate base are minor. In our opinion the evidence is clear that applicant's derivation of the amount for materials and supplies is preferable to that of the staff, while it is equally clear that the staff-determined reserve is more appropriate. In view of the evidence, therefore, we adopt the following as representing a fair and reasonable estimate of the results of operations for the full year 1954 under the rates and charges proposed by applicant:

Net Revenue	\$ 66,500
Rate Base (Depreciated)	1,020,000
Rate of Return	6.52%

#### Conclusions

Applicant is entitled to relief in the form of increased revenues and in the total amount sought. For the purposes of this proceeding we find a rate of return of 6.52 per cent to be reasonable on a fair and reasonable rate base of \$1,020,000. The tariffs proposed by applicant will be authorized.

#### O R D E R

Crocker-Huffman Land and Water Company having applied to the Commission for an order authorizing increases in rates and charges for water service rendered in the City of Merced and vicinity, 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, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformance with the provisions of General Order No. 96, the complete tariff schedules set forth in Exhibit E of the application herein, as amended, and as specifically modified by Appendix A attached to this order and, after not less than five days' notice to the public and to this Commission, to make said tariff schedules effective for all service rendered on and after May 21, 1954.

IT IS HEREBY FURTHER ORDERED that applicant, within forty days after the effective date of this order, shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 300 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of various properties of applicant.

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

Dated at San Francisco, California, this 20th day of April, 1954.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
Commissioners

APPENDIX A  
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The tariff schedules set forth in Exhibit E of the application herein filed August 12, 1953, as modified by the amendment thereto filed January 5, 1954, are approved as specifically modified below:

Title Page

Approved without change.

Table of Contents

Revise rate schedule titles to conform with the titles hereinafter specifically designated, add reference to "Service Area Map" following "Preliminary Statement", and make provision for and list C.P.U.C. Sheet Numbers contained in tariff book and add reference to "Sample Forms".

Preliminary Statement

Approved without change.

Service Area Map

Following "Preliminary Statement" tariff sheet, add a tariff service area map, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of the Company's present area and the location thereof with reference to the immediate surrounding territory.

Schedules Nos. 1, 2, 3, 4, 5 and 6

Substitute for the referred-to schedules the following schedules:

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the incorporated limits of the City of Merced and adjacent territory in Merced County.

RATES

Quantity Rates:		Per Meter Per Month
First	1,500 cu.ft. or less .....	\$ 2.50
Next	2,500 cu.ft., per 100 cu.ft. ....	.15
Next	6,000 cu.ft., per 100 cu.ft. ....	.12
Next	30,000 cu.ft., per 100 cu.ft. ....	.10
Over	40,000 cu.ft., per 100 cu.ft. ....	.075

*P. B. M.*

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 2.50
For	3/4-inch meter .....	3.25
For	1-inch meter .....	4.00
For	1 1/2-inch meter .....	6.00
For	2-inch meter .....	10.00
For	3-inch meter .....	15.00
For	4-inch meter .....	20.00
For	6-inch meter .....	30.00
For	8-inch meter .....	50.00

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

SPECIAL CONDITIONS

1. If a customer who is eligible for flat rate service requests and is furnished metered service, a change to flat rate service may not be made until metered service has been taken for a period of 12 consecutive months.

2. Customers whose requirements may overburden the water system, may require unreasonable investment in additional facilities, or may interfere with the supply to the existing customers, will not be supplied water service under this schedule. In such cases a special contract will be required under such terms as the conditions warrant, subject to approval by the Public Utilities Commission of the State of California.



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Schedule No. 2

RESIDENCE AND CHURCH FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished on a flat rate basis to residences and churches.

TERRITORY

Within the incorporated limits of the City of Merced and adjacent territory in Merced County.

RATES

Per Service Connection  
Per Month

For each single family residence or church, including a lot having an area of:

5,000 sq. ft. or less .....	\$2.70
5,001 - 5,500 sq.ft. ....	2.80
5,501 - 6,000 sq.ft. ....	2.90
6,001 - 6,500 sq.ft. ....	3.00
6,501 - 7,000 sq.ft. ....	3.10
7,001 - 7,500 sq.ft. ....	3.20
7,501 - 8,000 sq.ft. ....	3.30
8,001 - 8,500 sq.ft. ....	3.40
8,501 - 9,000 sq.ft. ....	3.50
9,001 - 9,500 sq.ft. ....	3.60
9,501 - 10,000 sq.ft. ....	3.70

For each additional 1,000 sq.ft. or fraction thereof .....

0.15

In addition, for each residential unit served from the same service connection .....

1.50

In addition, for each 100 cu.ft. of capacity of each swimming pool served from the same service connection .....

0.05

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.

Schedule No. 2

RESIDENCE AND CHURCH FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

2. Meters may be installed at option of Company or customer for above classifications in which event service will thereafter be rendered only on the basis of Schedule No. 1, General Metered Service, and must be continued for not less than 12 months before it may again be changed to flat rate service.

3. The following shall be considered standard size service connections for the lot areas specified:

8,000 sq.ft. or less	.....	3/4-inch service connection
8,001 - 14,000 sq.ft.	.....	1-inch service connection
14,001 - 50,000 sq.ft.	.....	1½-inch service connection
50,000 sq.ft. or more	.....	2-inch service connection

If the customer requires the service connection to be moved or increased to a diameter larger than the indicated standard sizes above, the customer shall pay the entire cost of removing the existing service and installing the new service.

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Schedule No. 3

SCHOOL AND PUBLIC PARK FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished on a flat rate basis to schools and public parks.

TERRITORY

Within the incorporated limits of the City of Merced and adjacent territory in Merced County.

RATES

	<u>Per Month</u>
For each <u>3/4-inch</u> service connection or smaller ...	\$ 2.00
For " 1-inch service connection .....	3.00
For " 1 1/2-inch service connection .....	5.00
For " 2-inch service connection .....	7.50
For " 3-inch service connection .....	15.00
For " 4-inch service connection .....	25.00
For " 6-inch service connection .....	50.00
In addition, for each 1,000 sq.ft. or fraction thereof, per 1,000 sq.ft. ....	0.04 <del>0.0375</del>
In addition, for each building on premises served from the same service connection .....	3.00
In addition, for each 100 cu.ft. of capacity of swimming pools on premises served from the same service connection .....	0.05

SPECIAL CONDITION

Meters may be installed at option of Company or customer for above classifications, in which event service will thereafter be rendered only on the basis of Schedule No. 1, General Metered Service, and must be continued for not less than 12 months before it may again be changed to flat rate service.

Schedule No. 4

PUBLIC FIRE HYDRANT SERVICE

G.3.M

APPLICABILITY

Applicable to all <sup>public</sup> fire hydrant service.

TERRITORY

Within the incorporated limits of the City of Merced and adjacent territory in Merced County.

RATE

Per Month

For each hydrant ..... \$2.00

SPECIAL CONDITION

The Company will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the water system.

Schedule No. 5

*B. 2m*

PRIVATE FIRE PROTECTION SPRINKLER SERVICE

APPLICABILITY

Applicable to service to all automatic fire sprinkler systems.

TERRITORY

Within the incorporated limits of the City of Merced and adjacent territory in Merced County.

RATES

	<u>Per Month</u>
For each 4-inch service connection .....	\$ 4.00
For each 6-inch service connection .....	6.00
For each 8-inch service connection .....	8.00
For each 10-inch service connection .....	10.00

SPECIAL CONDITIONS

1. The applicant shall pay the cost of installing the fire sprinkler service.
2. The above rates are applicable only to fire sprinkler systems to which no connections for other than fire protection purposes are allowed, 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.
3. If a distribution main of adequate size to serve a fire sprinkler system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served hereunder, then a service main from the nearest existing main of adequate capacity will be installed by the Company at the cost of the applicant.
4. The Company may install the standard detector-type meter approved by The Board of Fire Underwriters for protection against theft, leakage or waste of water.
5. The Company will be required to supply only such water at such pressure as may be available from time to time as a result of the normal operation of the system. Customers may take water under this schedule only in the case of fire or for the purpose of periodical tests and inspections.

Schedule No. 6

FLAT RATE SERVICE FROM FIRE HYDRANTS

APPLICABILITY

Applicable to water service furnished from fire hydrants on a flat rate basis for municipal, construction and temporary usages.

TERRITORY

Within the incorporated limits of the City of Merced and adjacent territory in Merced County.

RATES

	<u>Per Month</u>
City of Merced:	
For flushing sewers .....	\$15.00
For street sweeper .....	10.00
Construction:	
	<u>Per Linear Foot</u>
For puddling trenches .....	\$ 0.01
	<u>Per Estimated 1,000 Gallons</u>
For sprinkling streets and other uses for street improvement work .....	\$ 0.15
Other Temporary Service:	
	<u>Per Day</u>
For each circus or carnival .....	\$ 5.00

SPECIAL CONDITIONS

1. At the option of the Company a meter will be installed for service under this schedule.
2. Applicants for service under this schedule must obtain specific authorization from the Company before taking any delivery of water and shall use only the hydrants designated by the Company.
3. If a hydrant is damaged by a customer, the customer shall pay the cost of repairs thereto.

Rule and Regulation No. 1

Approved without change.

Rule and Regulation No. 2

Approved, as modified by amendment to application, without change.

Rules and Regulations Nos. 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, and 14

Approved without change.

Rule and Regulation No. 15

Approved as modified by amendment to application except as follows:

In first paragraph change "six inches in diameter"  
to "four inches in diameter" for basis of determining  
cost of a main.

In last paragraph correct "stud" to read "stub".

Rules and Regulations Nos. 16, 17 and 18

Approved without change.

Sample Forms

Add samples of printed forms normally used in connection with customers' services.