

Decision No. 51726**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 MAX HANNUM (Max Hannum Water Service))
 for an increase in rates for water) Application No. 36643
 service in Walnut Grove, Sacramento)
 County.)

Max Hannum, in propria persona.
Martin Abramson, for the Commission
 staff.

O P I N I O NNature of Proceeding

Max Hannum, by an application filed January 17, 1955, seeks to increase present rates by about 50 per cent for water service furnished to approximately 100 consumers now served under flat rates, in the Clampett Tract, located on the west side of the Sacramento River at Walnut Grove, Sacramento County. A schedule of rates for metered service is also proposed.

Applicant has alleged that increased revenues are necessary in order to enable him to continue to provide good service and to realize a reasonable return on his invested capital.

Public Hearing

The application was submitted for decision at a public hearing held before Examiner John M. Gregory at Walnut Grove on April 20, 1955. There were no objections to applicant's proposals.

Description of System

The system was originally installed by applicant in 1926 to serve his neighbors in the Clampett Tract. It was certificated in 1939, when the rates presently in effect were authorized (Decision No. 32623, Application No. 22827).

The water supply comes from three operating wells. Two smaller wells on the original site are maintained for stand-by service. The well which is the main source of supply was drilled in 1947 in the northwest corner of the tract. It is 8 inches in diameter, 116 feet deep, cased for about 70 feet and equipped with a Fairbanks-Morse centrifugal pump and a 7½ hp electric motor. This well produces about 175 gpm. The water is discharged into a 2,000-gallon pressure tank and then through the distribution system, which consists of approximately 10,000 feet of main varying in size from 1 to 4 inches in diameter. The other two operating wells discharge into individual pressure tanks whose outlets are connected to the distribution system.

Results of Operations

The system operated at a net loss of about \$400 in 1954. A similar loss is expected for 1955 at present rates. The tabulation below indicates probable results for 1954, at the requested rates, as estimated by applicant and, on the basis of certain adjustments in fixed capital accounts and in depreciation and other expense items, for the same year by the Commission's staff engineer, who also estimated results for 1955 at the requested rates. These estimates are not so far apart as to require special comment.

Item	:1954-Applicant : :Estimated at : :Proposed Rates ^a :	1954-Staff : Adjusted at : Proposed Rates :	1955-Staff : Estimated at : Proposed Rates :
Operating Revenue	\$ 4,259	\$ 4,380	\$ 4,520
Operating Expenses, Incl. Taxes & Depr.	<u>3,589</u>	<u>3,575</u>	<u>3,675</u>
Net Revenue	670	805	845
Rate Base, Depreciated	12,590	10,400 ^b	10,300 ^b
Rate of Return	5.32%	7.74%	8.20%

- a. Rounded to nearest dollar.
- b. Average depreciated rate base.

Rates

Applicant's existing flat rates, based on the area of the premises served, range from \$2.00 to \$2.50 per month, with a rate of 4¢ per 100 sq. ft. for areas irrigated in excess of 7,500 sq. ft. Requested flat rates, also on a square footage basis, range from \$2.50 per month for a small apartment or business without area irrigation to \$4.00 per month for premises having an area between 6,000 and 7,500 sq. ft. including area irrigation. For premises larger than 7,500 sq. ft. the requested rate would be \$4.00 per month for the first 7,500 sq. ft. and 4¢ per 100 sq. ft. for any excess area watered.

Although no change from flat rate service is presently contemplated, applicant has requested a meter rate schedule, to be applied at the company's option, based upon the area of the premises to be served. Rates proposed are \$3.50 per meter per month, for a 3/4-inch meter serving premises of 7,500 sq. ft. or less and allowing 700 cu. ft. or less of water, and \$4.50 per month for premises over 7,500 sq. ft. in area, through a 1-inch meter, with the same minimum allowance. A rate of 16¢ per 100 cu. ft. is proposed for all water used in excess of 700 cu. ft. per month. An annual rate of \$50 is requested for service to the Walnut Grove Fire District and firehouse.

Rate of Return and Conclusions

While we are not disposed to adhere too rigidly to a fixed percentage rate of return for a system of this size, since slight variations in revenue or expense tend to exert a marked influence on the return, we are of the opinion that the rate of return of 8.20 per cent estimated by the staff for 1955 is excessive. Accordingly, the requested rates have been adjusted downward slightly and, as so revised, are estimated to produce gross revenue of approximately \$4,365, with expenses, including taxes and depreciation, estimated

at \$3,645, net revenue of \$720 and a rate of return of about 7 per cent on an average depreciated rate base of \$10,300. The rates hereinafter authorized, together with the foregoing rate base and rate of return, we hereby find to be reasonable on the basis of the present record.

Upon consideration of this record we conclude that applicant is in need of additional revenue in order to continue to render proper service.

Applicant should arrange to carry out the recommendations contained in Chapter 11 of Exhibit 1, the staff report in evidence, and will be directed to do so with respect to paragraph 2 of that chapter, relating to determination of annual depreciation expense by the straight-line remaining life method.

O R D E R

Max Hannum, an individual doing business as Max Hannum Water Service, having applied to this Commission for an order authorizing increases in rates, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedules of rates as shown in Appendix A attached hereto and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after September 1, 1955.

2. Within thirty days after the effective date of this order, applicant shall file with this Commission four sets of up-to-date rules governing customer relations, together with four copies of a tariff service area map, in conformity with the provisions of the Commission's General Order No. 96. Such rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided. ✓
3. Within forty days after the effective date of this order, applicant shall file four copies of a comprehensive service and facilities map drawn to an indicated scale not smaller than 100 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principle water production, storage and distribution facilities; and the location of the various properties of applicant.
4. Beginning with the year 1955, applicant shall determine depreciation expense by multiplying the depreciable fixed capital by a rate of 2.90 per cent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable fixed capital occur or at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

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

Dated at Los Angeles, California, this 18th day of July, 1955.

Justin F. Caswell
President
Robert L. ...
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Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 3Schedule No. 1
GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The subdivision known as Clampett Tract located on the westerly side of the Sacramento River approximately 1/4 mile north of the drawbridge at Walnut Grove, Sacramento County.

RATES

Per Meter
Per Month

Quantity Rates:

First	700 cu.ft. or less.....	\$ 3.15
Next	1,300 cu.ft., per 100 cu.ft.35
Next	3,000 cu.ft., per 100 cu.ft.25
Over	5,000 cu.ft., per 100 cu.ft.15

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 3.15
For	3/4-inch meter	4.50
For	1-inch meter	7.00
For	1 1/2-inch meter	12.00
For	2-inch meter	20.00

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

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

The subdivision known as Clampett Tract located on the westerly side of the Sacramento River approximately 1/4 mile north of the drawbridge at Walnut Grove, Sacramento County.

RATES

Per 3/4-inch Service
Connection per Month

1. Residential Service.

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

5,000 sq.ft. or less	\$2.50
5,001 to 6,000 sq.ft.	3.30
6,001 to 7,500 sq.ft.	3.90
Over 7,500 sq.ft., for each additional 100 sq.ft. or fraction thereof04

For each additional residential unit on the same lot and served through the same service connection 2.50

2. Commercial, other than Residential Service.

For each business establishment using water for toilet facilities only 2.50

SPECIAL CONDITIONS

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

2. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to Walnut Grove Fire District.

TERRITORY

The subdivision known as Clampett Tract located on the westerly side of the Sacramento River approximately 1/4 mile north of the drawbridge at Walnut Grove, Sacramento County.

RATE

Per Year

For service to all fire hydrants and to local fire station	\$50.00
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SPECIAL CONDITION

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