

Decision No. 50461**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 HAROLD L. SAGE and WILLIAM L. SAGE,)
 doing business as SAGE BROTHERS WATER)
 SERVICE, for authority to increase)
 water rates within the area around and)
 including the unincorporated community)
 of South Shafter, Kern County.)

Application No. 37501
 As Amended

W. L. Sage for applicant.
Obie Hamlin and Jeff Ashmore for residents
 of the area served, as protestants.
E. Ronald Foster for the Commission staff.

O P I N I O N

By application filed November 19, 1955, Harold L. Sage and William L. Sage (Sage Brothers Water Service) seek an order of this Commission authorizing increased rates for certain water service in the unincorporated community of South Shafter, Kern County, California. An amendment filed February 9, 1956, modified the request to include an increase for all service rendered.

Public hearing was held in Shafter on May 16, 1956, before Examiner Rowe, at which time evidence both oral and documentary was adduced and the matter submitted for decision.

Rates, Present and Proposed

Applicants' present rates were established by Decision No. 45055 of this Commission dated November 28, 1950, in Application No. 31358. This was the decision granting rights to applicants to establish the service. The present application is the first request of this company for a rate increase. The rates now in applicants' tariff became effective February 1, 1951.

The following schedule shows the increases proposed in the general metered service.

General Metered Service

Per Meter Per Month

Quantity Rates:	<u>Present Rates</u>	<u>Proposed Rates</u>
First 800 cu. ft. or less	\$2.25	\$3.50
Next 1,200 cu.ft., per 100 cu.ft.	.20	.35
Next 2,000 cu.ft., per 100 cu.ft.	.15	.30
Next 6,000 cu.ft., per 100 cu.ft.	.12	.25
Over 10,000 cu.ft., per 100 cu.ft.	.12	.20

Minimum Charges:

For 5/8 x 3/4-inch meter	\$2.25	\$3.50
For 3/4-inch meter	3.35	4.75
For 1-inch meter	4.50	7.25

The minimum charge will entitle the customer to the quantity of water which the minimum charge will purchase at quantity rates.

The present and proposed flat rates are set forth in the following schedules.

Present Flat Rate Service

Rates Per Month

For a connection of 3/4-inch or less:

1. For one dwelling, house, or single unit, including reasonable and necessary quantities of water for an irrigated area of not over 1,000 square feet of lawns, gardens, shrubbery and trees \$2.50
2. For each additional dwelling, house or single unit on same lot taking service through same connection 1.50
3. For each restaurant, service station and laundry 4.00
4. For each store or office not included in Item 3 2.50
5. For each first unit of a hotel, motel, auto court, trailer court, etc., including office and utility rooms 2.50
6. For each additional unit in Item No. 5 1.00
7. For irrigation of grounds planted to lawns, gardens, shrubbery and trees in excess of the 1,000 square feet allowed in Item No. 1, per 100 square feet.05

For connections of one inch, the above rates will be increased by one half.

Proposed Flat Rate ServiceRates Per Month

For a connection of 3/4-inch or less:

- | | |
|---|--------|
| 1. For one dwelling, house or single unit, including reasonable and necessary quantities of water for an area of not over 2,000 square feet (including one house) for lawns, gardens, shrubbery and trees | \$3.50 |
| 2. For each additional dwelling house or single unit on same lot taking service through same connection | 2.00 |
| 3. For each commercial or business establishment using large quantities of water. | 5.00 |
| 4. For each store or office not in Item 3 | 3.00 |
| 5. For each first unit of a hotel, motel, auto court, trailer court, etc., including office and utility rooms | 3.50 |
| 6. For each additional unit in Item 5 | 1.25 |
| 7. For irrigation of grounds planted to lawns, gardens, shrubbery, trees etc. in excess of the 2,000 sq. ft. (including area of one house) allowed in Item No. 1, per 100 square feet | .15 |
| 8. For each house cooler | .50 |
| 9. For each head of livestock | .50 |

For a connection of one inch
the above rates will be increased by
one half.

Special Condition

Meters may be installed at the opinion of utility for above classifications and service thereafter will be furnished on the basis of Schedule No. 1, General Metered Service.

Applicants' Operation

At present there is only one source of supply. No arrangements have been made for the purchase of outside water in case of failure of the pump or the source of this supply. At present only

3,500 gallons of water can be stored. This water is held under pressure in two tanks. Switches maintain this pressure between 40 and 80 pounds.

There are 126 customers. The distribution system consists of approximately 9,000 feet of pipe, varying in size from one inch to five inches in diameter. The service has been good except for one breakdown of 31 hours. The water appears to be excellent for domestic use. Treatment of this water appears unnecessary.

The risk of a stoppage of water service due to breakdown of the one motor is great. The staff recommends the installation of an additional well and pump installation. This also includes another pressure storage tank which should be installed on the opposite side of the community from the site of the present pump and tanks. At the hearing applicants indicated an intention to install another well and pump with pressure tank. They proposed the use of a pumping unit with a less powerful motor at the present site and the installation of the existing 30-horsepower motor and pump at the new well. Both pumps should have at least 30-horsepower motors.

So far no meters have been installed. Complaints were made at the hearing that applicants have imposed penalties upon the customers for the use of water off the premises for washing automobiles and in cases where water has been left running and has run into the street. Applicants indicated their intention to repay all amounts so collected. In order to cut down upon improper and excessive use of water the staff has recommended that applicants install meters. This should result in less waste and should also increase revenue. Three meters have been acquired and will be installed where they appear to be most needed.

Results of Operations

One of the applicant partners and an engineer of the Commission staff testified and presented evidence concerning the

results of operations of the system. According to an exhibit furnished by applicants their operations shows a net profit of \$94.76 for the year 1954 and \$1,116.09 for 1955. The exhibit of the staff shows a net loss of \$712 for 1955. This discrepancy is due to applicants' improperly charging owners' salaries to the proprietary account.

For the purpose of its report, the staff has determined pro forma depreciation expenses for the years 1955 and 1956 on the basis of average depreciable utility plant. In addition to the adjusted additions to utility plant made in 1955, which amount to \$605, there are included additions to plant proposed to be installed in 1956. These include an item of \$9,000 for a new and additional well, pump and tank installation. This latter amount is weighted in full for 1955 and 1956 to put both years on a comparable basis. Because of the urgent need for this installation the increase in rates will be granted upon the express condition that such installation will be made before the increase is to be effective. The expected revenues, expenses and rate base developed by the staff are as follows:

	: <u>1955 Adjusted</u> :		: <u>1956 Adjusted</u> :	
	: Present :	: Applicants' :	: Present:	: Applicants' :
	: Rates :	: Proposed Rates:	: Rates :	: Proposed Rates:
Operating Revenues	\$ 5,467	\$ 7,645	\$ 5,552	\$ 7,781
M & O Expenses, Excluding				
Taxes and Depreciation	5,080	5,080	5,100	5,100
Taxes Other Than Income	381	381	556	556
Depreciation	718	718	728	728
Taxes Based on Income	-	305	-	290
Total Deductions	<u>6,179</u>	<u>6,484</u>	<u>6,384</u>	<u>6,674</u>
Net Revenue	<u>/ 712/</u>	1,161	<u>/ 832/</u>	1,107
Average Depreciated				
Rate Base	19,830	19,830	19,140	19,140
Rate of Return	Loss	5.85%	Loss	5.78%

Red Figure

Conclusions

In view of the evidence we find that the gross revenues obtainable from existing water rates are insufficient to meet the reasonable costs of operating the water system after an additional well, pump and pressure storage tank have been installed. The proposed increases have not been justified without such additions. We further find that, in the public interest, such additions to the plant are required and that it is reasonable and necessary to require that applicant dig an additional well of a capacity equal to the present well of ten inch diameter to be equipped with an adequate pump and a 30-horsepower motor and pressure storage tank of at least 3,500 gallons capacity.

Rates for water service must be made prospectively. Accordingly, for this utility, a prospective rate base which will result from the plant additions to be made in the immediate future will be used as the basis for an authorization of increased water rates. Such procedure will be fair to the utility and customers alike. In our opinion the 5.78 per cent rate of return on a depreciated rate base which the proposed rates are estimated to yield is fair and reasonable. It will place applicants in a financial position sufficiently improved to assure that their capital needs may be met and that reasonably adequate facilities will be in place for rendering service without a probability of interruptions.

The requested rates will be authorized with minor modifications. Applicants will be required to complete the above described addition to plant, prior to the time they will be permitted to file such revised tariff.

The Commission recommends that applicants start a program for the installation of meters. Metering has proved to be a most successful means of discouraging wastage of water. The sandy condition

of the soil in this area absorbs large quantities of water. Applicants will be required to render satisfactory service and are entitled to have excessive and wasteful use of water halted. Applicants' books should be set up to properly reflect the rate base and annual depreciation. It is recommended that beginning with the year 1956, applicants determine depreciation expense by multiplying the depreciable fixed capital, exclusive of plant provided through contributions in aid of construction, by a rate of 3.2 per cent.

It is found as a fact that the increases in rates and charges authorized herein are justified after the above stated plant additions have been constructed, and that present rates and charges, in so far as they differ from those herein authorized, are for the future, after such additions have been made, unjust and unreasonable.

O R D E R

Harold L. Sage and William L. Sage having applied to this Commission for an order authorizing increases in rates and charges for water service rendered by them in South Shafter, Kern County, public hearing thereon having been held, the matter having been submitted and being now ready for decision,

IT IS HEREBY ORDERED as follows:

1. That applicants, after the effective date of this order and after completing to the Commission's satisfaction an additional well of ten-inch diameter producing water of a quality and in amounts substantially equal to the present well, equipped with an additional 30-horsepower electric motor and a pump capable of producing 450 gpm and a pressure tank or tanks of at least 3,500-gallon capacity, are authorized to file in quadruplicate with this Commission and in conformance with the provisions of General Order No. 96, the schedules of rates attached to this order as Appendix A and, on not less than five days' notice to the public and to this Commission, to make said

rates effective for all service rendered after the Commission has been notified in writing of the completion and placing in operation of said additional well and equipment.

2. That beginning with the year 1956, applicants shall determine depreciation expense by multiplying the depreciable fixed capital, exclusive of plant provided through contributions in aid of construction, by a rate of 3.2 per cent, that this rate shall be used until review indicates it should be revised, that applicants shall review the depreciation rate, using the straight line remaining life method whenever substantial changes in depreciable capital occur and at intervals of not more than five years and that 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 San Francisco, California, this 16th day of July, 1956.

E. Mitchell
President

Justus J. Caswell

Ralph L. Lister

Wm. J. Doyle

R. Hardy
Commissioners

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of South Shafter, Kern County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 800 cu.ft. or less	\$3.50
Next 1,200 cu.ft., per 100 cu.ft.....	.35
Next 2,000 cu.ft., per 100 cu.ft.....	.30
Next 6,000 cu.ft., per 100 cu.ft.....	.25
Over 10,000 cu.ft., per 100 cu.ft.....	.20
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$3.50
For 3/4-inch meter	4.75
For 1-inch meter	7.25

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

Schedule No. 2

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community of South Shafter, Kern County.

RATES

	<u>Per Service Connection per Month</u>	
	<u>3/4-Inch</u>	<u>1-Inch</u>
1. For one single family dwelling or residential unit, including the irrigation of 2,000 square feet of garden or lawn.....	\$3.50	\$5.25
a. For each additional dwelling, or residential unit on the same lot served through the same service connection ...	2.00	3.00
b. In addition, for all irrigation or sprinkling of lawns or gardens, for each 100 square feet in excess of 2,000 square feet10	.15
c. In addition, for each evaporative-type air cooler during the 5-month period May through September, inclusive:		
Water wasting type50	.75
Water recirculating type25	.40
2. For each store or office using water for toilet facilities only	3.00	4.50
3. For each service station, restaurant, laundry or other business establishment utilizing water for processes associated with its business operations	5.00	7.50

APPENDIX A
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Schedule No. 2

GENERAL FLAT RATE SERVICE

(Continued)

RATES (Continued)

	<u>Per Service Connection per Month</u>	
	<u>3/4-Inch</u>	<u>1-Inch</u>
4. For the first unit of each motel, hotel, auto court or trailer court, including office and utility rooms	\$3.50	\$5.25
a. For each additional occupancy unit of a motel, hotel, auto court or trailer court	1.25	1.85
5. For each head of livestock watered50	.75

SPECIAL CONDITIONS

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

2. Charges for air coolers will apply as provided in the above schedule except in those cases where the customer notifies the utility, in writing, which months during the above period any air cooler will not be in service, and provided that such unit is disconnected during said months subject to inspection by utility representatives.

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