

**ORIGINAL**Decision No. 54853

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of )  
 MRS. J. M. VINCENT, a widow, doing )  
 business as the CERES WATER WORKS, )  
 for an order authorizing an increase )  
 in rates for water service rendered )  
 in and adjoining the incorporated )  
 City of Ceres, Stanislaus County, )  
 California. )

Application No. 38315

William Stava and A. L. Vincent, for applicant.  
Walter J. Cavagnaro, for the Commission staff.

O P I N I O NNature of Proceeding

By the above-entitled application, filed August 6, 1956, and as amended January 21, 1957, Mrs. J. M. Vincent the owner of the water system in Ceres, California, operated under the name of Ceres Water Works, seeks an order of this Commission authorizing increased rates and charges for water service rendered in Ceres and vicinity in Stanislaus County. Rates for coolers are for the first time included in the proposed tariff. Basically, applicant seeks a rate of return of approximately 10.16 per cent on her investment in physical plant and increased net revenue of roughly \$9,000 annually, based upon the estimated level of business during 1957.

Public Hearing

Public hearing in the matter was held before Examiner Rowe on March 7, 1957, in Ceres. Although ample notice was given no protest was made by the City or by the County. The customers who attended the hearing and expressed themselves were in agreement applicant was entitled to an increase in rates. Some, however, objected to the increase in the minimum rates for metered service.

History of the System

Ceres Water Works commenced operations in 1906 under the ownership and management of the late Mr. J. M. Vincent. In 1913 Mr. Vincent applied to the Commission for authority to establish meter rates in addition to the then effective flat rates. Meter rates were established by Decision No. 1025, dated October 16, 1913, in Application No. 671. Mr. A. L. Vincent has been managing the system since the death of Mr. J. M. Vincent in 1944. This utility was again authorized to revise flat and meter rates in Decision No. 43209 dated August 16, 1949, in Application No. 30145.

Description of the System

The water supply for the system is obtained from six operating wells with a seventh well available as required. Storage is provided by one 55,000-gallon elevated steel tank and one 3,000-gallon steel pressure tank. Of approximately 47,000 feet of steel distribution pipe about 10 per cent is 6 or 10 inch, 68 per cent is 3 or 4 inch and the remaining 22 per cent is either 1-1/2 or 2-inch pipe. On December 7, 1956, there were 236 flat rate and 479 metered customers. The applicant also renders service to 58 fire hydrants owned by the City.

The system is divided into two districts each with its own source of supply, storage and distribution facilities. The Ceres District is supplied by Wells Nos. 1, 3, 4, 6 and 7 with Wells Nos. 1 and 3 float-controlled from the 55,000-gallon elevated tank. Wells Nos. 4, 6 and 7 are usually operated by time switches to supply additional water during the daytime. Approximately 229 flat rate and 366 meter rate customers along with 52 fire hydrants are served in the Ceres District. The Caswell District is supplied from Well No. 5 controlled by means of a pressure switch on the 3,000-gallon storage tank. A 20-horsepower new motor has recently

replaced a 15-horsepower motor to operate Well No. 5 in the Caswell District. The 15-horsepower motor, so replaced, has been installed on Well No. 6 in the Ceres District. These changes are estimated to have increased the pumping capacities to 550 gpm and 225 gpm for the respective wells.

Nature of Evidence

In this proceeding applicant presented the testimony of a consulting engineer who had made a careful study of the system and of its books. The substance of his testimony was embodied in Exhibit No. 6, entitled "Statistical Report Showing Results of Operation for years 1955 and 1956, and 1957 at Present and at Proposed Rates." Two other exhibits prepared and submitted by this witness tended to prove that where irrigation district water was available to metered customers their use of water was little more than the minimum while other customers who could not procure such irrigation water used much greater quantities of water from applicant's system. Experts of the Commission staff also offered testimony and presented an exhibit respecting their independent investigation and evaluation of applicant's operations and earning position. Five customers expressed opinions that while they realized that an increase in rates was probably justified they felt that rates of metered service should not be so materially increased. One customer expressed the view that applicant through the years had been operating efficiently and was entitled to an increase.

According to the undisputed testimony for the period commencing January 1, 1950, and ending October 31, 1956, all of the profit from this operation has been applied to plant additions or improvements. Further plant additions, replacements and improvements will be required. Applicant's witness testified that interest rates generally have been rising and will continue to do so. Also, smaller

utilities such as this applicant are compelled to pay 6 per cent or more as interest on money they borrow for such purposes.

The staff's summary of applicant's earning position is as follows:

## Ceres Water Works

## SUMMARY OF EARNINGS

Item	1955	1956 Estimated		1957 Estimated	
	Adjusted	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$23,089	\$25,110	\$37,870	\$26,020	\$39,270
<u>Operating Expenses</u>					
Source of Water					
Supply Expense	1,808	1,100	1,100	1,100	1,100
Pumping Expense	3,940	3,600	3,600	3,705	3,705
Transmission and Distribution	3,495	5,500	5,500	5,625	5,625
Commercial Expense	4,769	5,525	5,525	5,585	5,585
General and Administrative	1,874	4,675	4,675	4,735	4,735
Subtotal	15,886	20,400	20,400	20,750	20,750
Taxes Other than Income	2,060	2,403	2,403	2,327	2,327
Taxes on Income	420	-	3,386	-	3,750
Depreciation	3,451	3,764	3,764	3,979	3,979
Total Operating Expense	21,817	26,567	29,953	27,056	30,806
Net Revenue	1,272	(1,457)	7,917	(1,036)	8,464
Depreciated Rate Base	77,350	79,800	79,800	82,300	82,300
Rate of Return %	1.6%	(1.8)%	9.9%	(1.3)%	10.3%

(Red Figure)

Conclusions

In view of all the evidence, we find that applicant is entitled to a substantial amount of the relief sought and that an order should be issued increasing the rates to the extent set forth in Appendix A following the order. This authorization will

result in an increase of about 35 per cent in gross revenues, as compared with the applicant's request for about a 51 per cent increase. The order will result in a rate of return of about 7.0 per cent on a \$82,000 rate base, which we hereby adopt for the purposes of this decision. It is found as a fact that the increases in rates and charges authorized herein are justified and that existing rates and charges, in so far as they differ therefrom, are for the future unjust and unreasonable. To raise the required amount of new capital, applicant's earnings should be on the level herein approved.

O R D E R

Applicant having applied to this Commission for an order authorizing increased rates, public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED:

(1) That applicant, after the effective date of this decision, is 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 on and after June 1, 1957.

(2) That applicant on or before June 1, 1957, and continuously thereafter, shall have posted in its office and open to public inspection, a table illustrating the conversion of meter readings for each thousand gallons, from zero to 50,000 gallons, to billing quantities in cubic feet, together with the appropriate charges therefor. Within ten days after the initial posting, applicant shall file a copy of such table with this Commission.

(3) That applicant, within sixty days after the effective date of this order, shall file in quadruplicate with this Commission rules governing customer relations revised to reflect present-day operating practices, together with four copies of a tariff service area map, acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rules and tariff service area map shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.

(4) That applicant, within sixty days after the effective date of this order, shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 200 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 the various water system properties of applicant.

(5) That beginning with the year 1957, applicant shall determine depreciation expense by multiplying depreciable utility plant by a rate of 3.5 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 plant occur and 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 this Commission.

(6) That applicant, on or before July 1, 1957, shall replace all of the existing 1½-inch main on Pleasant Avenue with

A. 38315 AH

a 4-inch main and shall inform the Commission in writing within ten days after completion of such replacement.

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

Dated at San Francisco, California, this 16<sup>th</sup> day of APRIL, 1957.

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

APPENDIX A  
Page 1 of 3

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The incorporated City of Cores, and vicinity, Stanislaus County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 800 cu.ft. or less .....	\$ 2.50
Next 2,200 cu.ft., per 100 cu.ft. ....	.12
Next 4,000 cu.ft., per 100 cu.ft. ....	.09
Over 7,000 cu.ft., per 100 cu.ft. ....	.075
 Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.50
For 1-inch meter .....	3.75
For 1-1/2-inch meter .....	8.00
For 2-inch meter .....	10.00
For 3-inch meter .....	15.00
For 4-inch meter .....	25.00
For 6-inch meter .....	45.00

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

GENERAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The incorporated City of Cores, and vicinity, Stanislaus County.

RATES

	<u>Per Service Connection per Month</u>
For a single family residence or a business establishment including premises:	
On a 3/4-inch service connection .....	\$2.80
On a 1-inch service connection .....	4.20
a. For each additional residence or business on the same premises and served from the same service connection .....	.80
b. For each evaporative-type cooler, in addition to regular flat rates, during the 6-month period May through October:	
Circulating type .....	.50
Noncirculating type .....	1.00

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. A meter may be installed at option of utility only for above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
4. 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.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to the City of Coros.

TERRITORY

The incorporated City of Coros, Stanislaus County.

RATES

	<u>Per Year</u>
For each hydrant .....	\$2.50

SPECIAL CONDITIONS

1. The cost of installation and maintenance of hydrants will be borne by the city.
2. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.
3. The above rate applies to hydrants not larger than four inches in diameter.
4. The charges for fire hydrant service will be billed semiannually.