

Decision No. 56130**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ANTHONY L. and JEAN L. VINCENT,)
 husband and wife, doing business as)
 the VINCENT WATER COMPANY, for an)
 order authorizing an increase in)
 rates for water service rendered in)
 and adjoining the incorporated City)
 of Ceres, Stanislaus County, Cali-)
 fornia.)

Application No. 39094

William Stava, for applicant.
Ernest R. Bawden, protestant.
Alfred V. Day, for the Commission staff.

O P I N I O N

By the above-entitled application, filed May 24, 1957, Anthony L. Vincent and Jean L. Vincent, husband and wife, doing business as the Vincent Water Company, request an order of this Commission authorizing increased rates and charges for water service rendered in the incorporated City of Ceres and vicinity in Stanislaus County. Rates for evaporative-type coolers are proposed to be included in the tariff for the first time. Basically, applicants seek a rate of return of 7 per cent on an average depreciated rate base and increased net revenue of about \$4,700 annually, based upon the estimated level of business during 1957 as shown in Exhibit "G" attached to the application.

Public Hearing

A public hearing was held before Examiner E. Ronald Foster on November 13, 1957, in Ceres. Although ample notice had been given to officials of both the City and the County, as well as to all customers, no protest was made. One person who put in an appearance

as a protestant later explained that he was mistaken as to the identity of the water utility and that he was not a customer of applicants.

Following the introduction of both oral and documentary evidence by a witness on behalf of applicants and by two members of the Commission staff, the matter was submitted and is now ready for decision.

History and Description of the System

Applicants commenced operations under the name of Vincent Water Company as authorized by Decision No. 40017 dated March 4, 1947, in Application No. 28085, which granted a certificate of public convenience and necessity to operate a water system in the subdivided area known as the Fair Tract, located west of Central Avenue approximately one quarter of a mile north of the city limits of Ceres. Since that time the water system has been extended to furnish water to Modesto Union Academy some 750 feet to the north, to the Morgan Tract which adjoins the Fair Tract on the west, to the subdivisions known as Sequoia Tract and Sequoia Village southerly of the Fair Tract, to Caswell School and to Memorial Hospital, and with a standby connection to Ceres Farm Labor Supply Center, as shown on the map received as Exhibit No. 1. The territory presently served has an area of approximately 65 acres, partly within the boundaries of the City of Ceres.

The water supply for the system is obtained from two operating wells, with a third well in Sequoia Village being completed for operation in 1958, having a total productive capacity of 3,800 gallons per minute. All wells are, or will be, equipped with electric motor-driven deep well pumps, with an estimated combined output capacity of 1,350 g.p.m., arranged to deliver the water into the system through two, 3,000-gallon and one, 5,000-gallon hydropneumatic

tanks controlled by automatic switches set to control the tank pressures between 40 and 70 pounds per square inch. Of approximately 14,300 feet of steel distribution mains, about 18 per cent is 6-inch, 79 per cent is 4-inch, and the remaining 3 per cent is 2-inch. At the end of the year 1956 there were 242 flat rate and 6 metered commercial customers. The utility also renders fire protection service to 20 wharfhead type fire hydrants, 14 of which are within the incorporated limits of the City of Ceres, while the other six are outside.

The system is composed of three sections interconnected by 4-inch mains. Well No. 1 is located in the northwest corner of the original Fair Tract, Well No. 2 is in the southwest corner of the Sequoia Tract, and Well No. 3 is in Sequoia Village. Among other proposed additions and improvements to the system, applicants plan to install some 1,300 feet of 4-inch pipeline to connect this system with that of their affiliate, Ceres Water Works, for standby and emergency purposes.

The Turlock Irrigation District serves irrigation water only from pipelines and open ditches in most of the territory served by applicants. This results in competition for the sale of water for irrigation purposes and presents difficulties in determining which source of water is being used for such purposes, particularly when service is being rendered at flat rates. In order that they may be able to determine equitable charges and collect them from their customers in this unusual situation, applicants propose that they have the sole option of installing meters.

Rates, Present and Proposed

Applicants' present rates have been in effect since April 1, 1947, as authorized by Decision No. 40017, supra. There follows a tabulation of the present rates and those proposed by applicants for the principal classifications of flat rate service and for metered service.

FLAT RATE SERVICE

<u>Classification</u>	<u>Per Service Connection Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
		3.50
For a single-family residence or a business establishment, including premises:		
On a 3/4-inch service connection	\$ 2.30	\$3.50
On a 1 1/4-inch service connection	3.10	4.50
For additional residence or business on the same premises and served from the same service connection:		
For first additional unit .....	.80	.80
For second additional unit .....	.60	.80
For each additional unit over two .....	.50	.80
For each evaporative-type cooler, during months of May to October, inclusive:		
Circulating type	-	.50
Noncirculating type	-	1.50

METERED SERVICE

<u>Quantity Rates:</u>	<u>Per Meter per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
First 800 cu.ft. or less	\$ -	\$ 2.50
Next 2,200 cu.ft., per 100 cu.ft.	-	.12
Next 2,000 cu.ft., per 100 cu.ft.	-	.09
First 5,000 cu.ft., per 100 cu.ft. ....	.075	-
Next 2,000 cu.ft., per 100 cu.ft. ....	.06	.09
Next 43,000 cu.ft., per 100 cu.ft. ....	.06	.075
Over 50,000 cu.ft., per 100 cu.ft. ....	.04	.075
<u>Minimum Charge:</u>		
For 5/8 x 3/4-inch meter	1.50	2.50
For 3/4-inch meter	1.75	-
For 1-inch meter	2.50	3.75
For 1 1/2-inch meter	3.50	8.00
For 2-inch meter	5.00	10.00
For 3-inch meter	10.00	15.00
For 4-inch meter	15.00	25.00
For 6-inch meter	20.00	45.00

A comparison of charges for typical metered usages is shown in the following tabulation:

Quantity (Cu.Ft.)	Monthly Charges		Per Cent Increase
	Present Rates	Proposed Rates	
800	\$ 0.60	\$ 2.50	316.7
1,000	0.75	2.74	265.3
1,500	1.125	3.34	196.9
2,000	1.50	3.94	162.7
3,000	2.25	5.14	128.4
5,000	3.75	6.94	85.1
7,000	4.95	8.74	76.6
10,000	6.75	10.99	62.8
25,000	15.75	22.24	41.2
50,000	30.75	40.99	33.3
100,000	50.75	78.49	54.7

Based on the level of business during 1956 and the water quantities consumed by the metered customers in that year, the proposed rates would result in metered revenues about 57 per cent greater and flat rate revenues approximately 60 per cent more than the corresponding revenues obtainable at the rates presently in effect.

Although applicants have no rate on file for public fire hydrant service, they have been collecting from the City of Ceres at the rate of \$2.50 per year for each hydrant inside the city limits. Applicants request authority to file such a rate. Other hydrants have been installed on portions of the system outside the city, from which no revenue is obtained, there being no organization from which charges could be collected.

Since July 1, 1953, the Stanislaus County Housing Authority has received standby service through a 4-inch connection. Applicants have been collecting for this service at the rate of \$7.50 per month, although there is not on file with the Commission any rate or contract for such service.

The Memorial Hospital has been receiving water from applicants for a minimum charge of \$30 per month for standby service which

includes a monthly allowance of 275,000 gallons, above which usage the presently filed rates are applied, starting with the first quantity rate block. No contract covering this service is on file with the Commission.

Other metered customers are currently being billed at rates which are in agreement with those filed with the Commission on September 7, 1949, by applicants' affiliate, the Ceres Water Works.

Applicants' meters record usage in gallons and bills to metered customers show consumption in gallons rather than in cubic feet. Therefore, the staff has recommended that there be available to customers at the utility's office a table for converting meter readings in gallons to billing quantities in cubic feet.

Summary of Earnings

In this proceeding testimony was presented by applicants' consulting engineer who had made a study of the system and a review of the utility's accounting records. Supplemented by a map of the area being served, Exhibit No. 1 supra, the substance of his testimony was embodied in a "Statistical Report Showing Results of Operation for Years 1956, 1957 and 1958 at Present and at Proposed rates."¹ Experts of the Commission staff also offered testimony and presented a report² showing the results of their independent investigation and evaluation of applicants' operations and earning position for the year 1956 as recorded and adjusted and as estimated for the year 1957.

Analysis of the two presentations reveals that the differences in the estimated rates of return may be largely ascribed to the fact that the staff included, on a pro forma basis, an amount of \$3,030 representing applicants' portion of the proposed interconnection with the system of the Ceres Water Works, whereas applicants'

¹ Exhibit No. 2.

² Exhibit No. 3.

engineer did not include such item, even in his 1958 estimate, for the reason that applicants now do not plan to install this pipeline prior to the year 1959. Both reports included amounts proposed to be spent early in 1958 to complete the pumping and pressure-tank installation at Well No. 3.

From such evidence we find that the following tabulation reasonably indicates the results of applicants' operations during the year 1956 on a properly adjusted basis at presently filed rates, for the year 1957 as estimated at present rates and at the rates proposed by applicants, and prospectively for a future 12 months' operations at the rates hereinafter authorized.

SUMMARY OF EARNINGS

<u>Item</u>	<u>Adjusted Year 1956 Present Rates</u>	<u>Estimated Year 1957 Present Rates</u>	<u>Proposed Rates</u>	<u>Future Year Authorized Rates</u>
Operating Revenues	\$ 7,320	\$ 7,810	\$12,570	\$11,700
Operating Expenses				
Before Taxes & Deprec.	6,840	7,280	7,280	7,280
Taxes Other than Income	565	630	630	630
Taxes on Income	25	20	720	520
Depreciation	1,350	1,520	1,520	1,520
Total Oper. Expenses	<u>8,780</u>	<u>9,450</u>	<u>10,150</u>	<u>9,950</u>
Net Revenue	(1,460)	(1,640)	2,420	1,750
Depreciated Rate Base	22,300	24,700	24,700	25,000
Rate of Return	nil %	nil %	9.8%	7.0%

(Red Figure)

The evidence is clear, as the above tabulation indicates, that revenues obtained from existing water rates are inadequate to meet applicants' reasonable needs. Applicants have conclusively demonstrated that they are entitled to rate relief. The rates which applicants have proposed, however, would yield revenues substantially greater than a reasonable return would require.

Conclusions

In view of all the evidence, we find that applicants are entitled to a substantial amount of the relief sought and that an order should be issued revising and increasing the rates to the extent set forth in Appendix "A" following the order. This authorization will result in an increase in gross revenues of about 50 per cent, as compared with the applicants' request for an increase of approximately 60 per cent. Such revenues are expected to produce a net income, after due allowance for all reasonable operating expenses including provisions for taxes and depreciation, of \$1,750 representing a rate of return of 7.0 per cent on a depreciated rate base of \$25,000, which rate base we adopt as reasonable for the purposes of this decision. We conclude that such results of operation are fair and reasonable for this utility.

We find, therefore, that the increases in rates and charges authorized herein are justified and that the present rates and charges, in so far as they differ from those herein prescribed, are for the future unjust and unreasonable.

At the present time, standby water service is being rendered to a governmental agency under certain conditions and at a rate differing from the presently filed rates, from those proposed by applicants and from the rates herein authorized. Applicants will be required to negotiate and file with the Commission a contract covering the service to be rendered.

Also, applicants are furnishing water on a measured basis to another governmental agency at rates and charges different from the filed rates. The order herein will require applicants to render this service at the authorized rates hereafter. No further or similar rate deviations should be permitted to exist.

Applicants' existing rules governing its relations with customers do not reflect present-day water utility practices. Applicants will be required to file revised rules, together with an up-to-date tariff service area map and a comprehensive service and facilities map.

O R D E R

Anthony L. Vincent and Jean L. Vincent, doing business as the Vincent Water Company, having applied to this Commission for an order authorizing increases in rates and charges for water service rendered in Ceres and vicinity, Stanislaus County, public hearing thereon having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That applicants are authorized to file in quadruplicate with this Commission, on or after the effective date of this order 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 such rates effective for all service rendered on and after February 15, 1958.

2. That applicants, on or before February 15, 1958, 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 applicants, 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 upon five days' notice to the Commission and to the public after filing as hereinabove provided.

4. That applicants, 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 applicants.

5. That, beginning with the year 1958, applicants shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.5 per cent. This rate shall be used until review indicates it should be revised. Applicants shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable utility 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 applicants, on or before April 1, 1958, shall have installed and placed in operation a deep well pump, equipped with an electric motor of not less than 15 horsepower, a 3,000-gallon or larger hydropneumatic tank including automatic pressure controls, and the necessary pipe connections from the pump to the tank and from the tank to the distribution main, at the location of the existing Well No. 3 in Sequoia Village. Applicants shall inform the Commission in writing within ten days after said facilities have been installed and placed in operation.

7. That applicants shall forthwith commence negotiations for a contract with the Stanislaus County Housing Authority covering the standby water service being rendered by applicants to the Ceres Farm Labor Supply Center and, within ten days after the execution of such contract and not later than July 1, 1958, applicants shall file with the Commission the appropriate documents in accordance with the requirements of Section X of the Commission's General Order No. 96.

8. That applicants, on and after February 15, 1958, shall furnish water to the Memorial Hospital and shall charge for all service rendered to this and all other metered customers, in accordance with the schedule of rates for metered water service authorized herein, and thereafter shall terminate all deviations from the filed rates except as provided in contracts filed with the Commission or to be filed in accordance with the requirements of General Order No. 96.

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

Dated at San Francisco, California, this 21st day of January, 1958.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

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

RATES

Quantity Rates:	Per Meter Per Month
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 SERVICE

APPLICABILITY

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</u> <u>Per Month</u>
For a single-family residence or a business establishment including premises:	
On a 3/4-inch service connection	\$3.00
On a 1-inch service connection	4.25
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. All service not covered by the above classification will be furnished only on a metered basis.

2. 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.

3. 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 Ceres.

TERRITORY

The incorporated City of Ceres, Stanislaus County.

RATE

Per Year

For each hydrant	\$2.50
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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.