

ORIGINAL

Decision No. 58162

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
 of SONOMA WATER & IRRIGATION)
 COMPANY, a corporation, for)
 authority to increase rates on)
 the sale of domestic water.)

Application No. 40275

Keil, Connolly & Shaughnessey, by Edward D. Keil
 and Richard F. Dole, for applicant.

Mrs. Harold Bowie, for Adobe Grange No. 796;

Mrs. Greta Ericson, for Bel Aire Association;

Emma Finchum, for Sonoma Vista Improvement

Club; T. A. Groom, for Country Club Estates;

Kenneth McLaughlin, for Sonoma Valley Grange

No. 407; and A. R. Operle, for El Verano

Improvement Club; protestants.

Joe Udvic, for Valley of the Moon Fire Department,
 interested party.

C. F. Clark and H. H. Webster, for the Commission
 staff.

O P I N I O N

Sonoma Water & Irrigation Company, a corporation, by the
 above-entitled application filed July 22, 1958, requests an order of
 this Commission authorizing increases in rates and charges for water
 service rendered in the unincorporated area including the communi-
 ties of Agua Caliente, Boyes Springs, El Verano and Fetters Springs,
 and vicinity, located northwest of the City of Sonoma, in Sonoma
 County.

Public Hearing

After due notice a public hearing was held before Examiner
 E. Ronald Foster at El Verano on January 15 and 16, 1959. Over
 80 persons, practically all of them customers of the utility,
 attended the hearing and some of them entered appearances on behalf
 of various organizations protesting the granting of the proposed
 increases on water rates. The protests were based partly on the

service charge element of the rate structure, on the magnitude of the requested increases and also on alleged poor water service conditions.

At the hearing applicant stipulated that there be incorporated by reference into the record of this proceeding the utility's annual reports to the Commission for the years 1953 to 1957, inclusive, and Decision No. 51804 and the subsequent decisions rendered in the last rate proceeding, Application No. 35823.

Applicant presented oral testimony and supporting exhibits respecting its operations. Commission staff witnesses also presented evidence, both oral and documentary, concerning the results of their independent studies and analyses of applicant's operations. A number of customers testified in regard to service conditions and the effect on usage of water which would result if the proposed rates were to become effective. The matter was submitted on the second day of the hearing subject to the late filing of some exhibits which were received by the Commission on January 23, 1959, and the matter is now ready for decision.

History of the Utility

After its incorporation in 1904 the applicant company was reorganized in 1921, since which time it has acquired several utilities and water systems. Except for the portion which was sold to the City of Sonoma in 1933, the various water works have been developed by extensions and interconnections to form an integrated system.

As shown on the map, Exhibit No. 9, the service area may be generally described as extending from Verano Avenue northward on both sides of State Highway No. 12 to Agua Caliente Road and from Petaluma Avenue northward on both sides of Arnold Drive to Madrone

Road, embracing the unincorporated communities of Agua Caliente, Boyes Springs, El Verano and Feters Springs and various adjacent subdivided areas.

Applicant has appeared before the Commission in many formal proceedings in connection with its utility operations. The last rate increase proceeding, Application No. 35828, was consolidated for hearing and decision with Case No. 5569, an investigation instituted on the Commission's own motion. Decision No. 51804 issued in those matters on August 9, 1955, authorized increased rates and also, because of limitations in the available water supply, ordered applicant not to furnish water to any new or additional subdivisions without a showing satisfactory to the Commission that applicant has procured sufficient quantities of water for rendition of adequate service to existing consumers as well as to such new or additional subdivisions. Such restriction of service is still in effect except as modified to some extent by subsequent decisions issued by the Commission.

After public hearing, by Decision No. 54668 dated March 12, 1957, in Case No. 5762, the Commission permanently suspended Schedule No. 9 filed by applicant for special metered water service to Sobre Vista Mutual Water Company. More will be said later herein concerning this service.

Description of the Water System

The main source of water for applicant's system consists of eight wells which are equipped with electrically driven deep well pumps. Recent tests show that the seven primary pumps are capable of delivering a total of 1,025 gallons of water per minute. Additional water is obtained from springs, augmented by the eighth well, located on watershed land on the west slope of Sonoma Valley in the

Sobre Vista area acquired by applicant in 1951. It is reported that the presently developed spring supply will produce 35 gallons per minute during the dry season.

The well pumps, all of which are equipped with automatic chlorinators, deliver the water directly into the distribution system and the surplus is stored in two minor and four major distribution reservoirs which serve to maintain pressure in the greater portion of the service area. Booster pumps at various locations operate to supply water to storage tanks at higher elevations. The spring supply flows into a 72,000-gallon sunken concrete reservoir, the supply to which is supplemented by the Sobre Vista well. In addition to two other distribution lines from this reservoir, it supplies a four-inch connection which serves the Sobre Vista Mutual Water Company. The total distribution storage capacity is approximately 714,000 gallons.

As of September 30, 1958, there were 1,708 customers being served through meters varying from 5/8 by 3/4 inch to 4 inches in size, and 42 fire hydrants were installed in connection with the system. Applicant serves its customers through approximately 142,000 feet of mains which vary from 3/4 inch to 10 inches in diameter.

Present and Proposed Rates

The presently filed rates for general metered service were authorized by the Commission's Decision No. 51804, dated August 9, 1955, in Application No. 35828, and became effective

September 1, 1955. The following comparative tabulation shows the present rates and those proposed by applicant for metered service:

GENERAL METERED SERVICE

	<u>Per Meter</u>			<u>Per Cent Increase</u>
	<u>Present</u>		<u>Pro-posed</u>	
	<u>Per Yr.</u>	<u>Per Mo.</u>	<u>Per Mo.</u>	
<u>Service Charge:</u>				
For 5/8 x 3/4-inch meter	\$ 24.00	\$ 2.00	\$ 3.00	50.0%
For 3/4-inch meter	30.00	2.50	3.75	50.0
For 1-inch meter	36.00	3.00	4.50	50.0
For 1-1/2-inch meter	60.00	5.00	7.50	50.0
For 2-inch meter	84.00	7.00	10.50	50.0
For 3-inch meter	180.00	15.00	25.00	66.7
For 4-inch meter	420.00	35.00	50.00	42.9

	<u>Per Meter Present</u>	<u>Per Meter Proposed</u>	<u>Per Cent Increase</u>
<u>Quantity Rates:</u>			
First 10,000 gallons, per 1,000 gallons	\$0.35	\$0.50	42.9%
Over 10,000 gallons, per 1,000 gallons25	.35	40.0

The Service Charge is a readiness-to-serve charge applicable to all metered service in addition to the monthly charge computed at the Quantity Rates.

An analysis of metered water usage for the year 1957 indicates that approximately 64 percent of sales is at the 35 cent rate and the remainder at the 25 cent rate. At the present rate schedule the total charge for delivery through a 5/8 by 3/4-inch meter of the average monthly consumption of 7,500 gallons, equivalent to about 1,000 cubic feet, is \$4.625; at the proposed schedule such charge would be \$6.75, an increase of 46 percent; and at the rate schedule authorized hereinafter this charge will be \$4.80, an increase of 3.8 percent. For a monthly consumption of 30,000 gallons, equivalent to about 4,000 cubic feet, delivered through the same size meter, the total charge at present rates is \$10.50; at

proposed rates it would be \$15.00, an increase of 43 percent; and at the authorized rates it will be \$11.95, an increase of 13.8 percent.

The present schedule of rates for public fire hydrant service became effective September 1, 1951, as authorized by Decision No. 46059 in Application No. 32261. All hydrants now in service and those anticipated to be installed in the future are and will be owned and maintained by the utility. The following tabulation shows the present rates and those proposed by applicant for public fire hydrant service:

Public Fire Hydrant Service

<u>Rate</u>	<u>Per Hydrant, Per Mo.</u>	
	<u>Present</u>	<u>Proposed</u>
For each hydrant installed and maintained by municipality, county or fire district	\$1.60	\$ -
For each hydrant owned and installed by company:		
On mains less than 4-inch diameter	1.85	-
On mains 4-inch diameter	2.10	-
With 2-2½-inch outlets		3.00
With 1-2½-inch and 1-4½-inch outlets		3.50
On mains 6-inch diameter and larger	2.65	(see below)
On mains 6-inch diameter:		
With 2-2½-inch outlets	-	3.50
With 1-2½-inch and 1-4½-inch outlets	-	4.00
On mains 8-inch diameter:		
With 2-2½-inch outlets	-	4.00
With 1-2½-inch and 1-4½-inch outlets	-	4.50

The over-all increase in charges for public fire hydrant service which would result from the proposed rates and from the rates authorized by the order herein; will be discussed under an appropriate heading hereinafter.

Applicant currently has no private fire protection rate schedule in use or on file with the Commission. It is proposing to establish the following schedule of charges for this service for

which one customer on a 6-inch connection is now active and for which a charge of \$9.50 per month is being billed:

Proposed Private Fire Protection Rates

<u>Service Charge</u>	<u>Per Connection Per Month</u>
For 1½-inch connection	\$ 3.50
For 2-inch connection	5.00
For 3-inch connection	7.50
For 4-inch connection	10.00
For 6-inch connection	15.00
For 8-inch connection	25.00
For 10-inch connection	40.00

This service will be discussed further hereinafter under a suitable heading.

Applicant has no rates or contracts on file with the Commission for water furnished to the Sobre Vista Mutual Water Company. The charges for this service are set forth in an agreement which became effective retroactively on July 1, 1956. The following tabulation shows these charges, for which no change has been proposed in this application.

Billing Basis - Sobre Vista Mutual Water Company

<u>Item</u>	<u>Per Month</u>
Quantity Rates:	
First 10,000 gallons per 1,000 gallons	\$0.35
Next 10,000 gallons per 1,000 gallons	.25
Over 20,000 gallons per 1,000 gallons	.20

Sobre Vista Mutual Water Company is not presently billed a service charge for its 4-inch metered connection. This meter is now owned by the customer. This matter also will be discussed at more length under an appropriate heading hereafter.

Applicant's Finances

Following is a condensation of the applicant's comparative balance sheet as of December 31, 1957 and September 30, 1958, as set forth in Table 2-A of the Commission staff's Exhibit No. 7:

SONOMA WATER & IRRIGATION COMPANY

<u>Assets</u>	<u>December 31, 1957</u>	<u>September 30, 1958</u>
Utility Plant	\$394,490.78	\$416,694.05
Reserve for Depreciation	71,962.01	80,700.51
Utility Plant Less Reserve	<u>322,528.77</u>	<u>335,993.54</u>
Other Physical Property	8,565.33	8,565.33
Current Assets:		
Cash and Working Funds	552.71	141.72
Account Receivable	4,927.55	7,629.54
Materials and Supplies	4,976.26	4,965.50
Prepayments	703.71	804.69
Subtotal	<u>11,160.23</u>	<u>13,541.45</u>
Total Assets	<u>342,254.33</u>	<u>358,100.32</u>
<u>Liabilities</u>		
Capital Stock - 19,920.53 Shares	100,607.75	100,607.75
Surplus:		
Earned Surplus	102,494.28	102,494.28
Profit and Loss	-	18,896.38
Total Capital Stock and Surplus	<u>203,102.03</u>	<u>221,998.41</u>
Miscellaneous Long-Term Debt	52,523.61	51,054.14
Subtotal	<u>255,625.64</u>	<u>273,052.55</u>
Current Liabilities	19,526.90	11,784.73
Reserve for Uncollectible Accounts	250.00	250.00
Consumers' Advances for Construction	42,228.45	47,742.45
Contributions in Aid of Construction	24,623.34	25,264.59
Total Liabilities	<u>\$342,254.33</u>	<u>\$358,100.32</u>

Applicant's authorized capitalization consists of 21,000 shares of no par common stock, with 19,920.53 shares outstanding of which approximately 97 percent are held in trust by Russell D. Keil and Edward D. Keil, who are president and secretary, respectively, and also directors of the corporation.

During the years 1938 to 1943, inclusive, dividends were paid at the rate of 75 cents or 50 cents per share but none have been paid during the 15-year period since then. The following tabulation

shows the common stock equity earnings for the last seven recorded years:

Earnings on Common Stock Equity

<u>Year</u>	<u>Current Earnings^{c/} Available for Common Stock</u>	<u>Dec. 31 Par Value</u>	<u>Earned Surplus January 1</u>	<u>Total Equity Capital</u>	<u>Earnings per Share</u>	<u>Earnings on Equity Capital</u>
1951 ^{a/}	\$ 8,250.51	\$100,607.75	\$32,077.21	\$132,684.96	\$0.41	6.21%
1952	9,714.18	100,607.75	26,762.18	127,369.93	.49	7.63
1953	6,279.66	100,607.75	36,226.36	136,834.11	.32	4.59
1954	8,763.46	100,607.75	42,306.02	142,913.77	.44	6.13
1955 ^{b/}	10,380.68	100,607.75	57,752.61	158,360.36	.52	6.56
1956	18,459.71	100,607.75	68,133.29	168,741.04	.93	10.94
1957	15,893.54	100,607.75	86,593.00	187,200.75	.80	8.49

a/ Rates increased, effective September 1, 1951.

b/ Rates increased, effective September 1, 1955.

c/ After deducting interest on borrowed money.

Instead of paying any dividends to its stockholders, beginning with the year 1944 applicant's policy has been to invest its earnings, together with moneys available from depreciation accruals, in additions to plant facilities. To the extent that such funds have not been adequate, as supplemented by advances for construction and contributions in aid of construction, it has been necessary for applicant to borrow money on long-term notes. The following statement of the source and application of funds for the period from January 1, 1955 to September 30, 1958, shows the manner in which such additions have been financed:

Source and Application of Funds
January 1, 1955 to September 30, 1958

<u>Source:</u>		<u>Total</u>
Operating and Other Income:		
Net Income Transferred to Surplus	\$63,638.05	
Add: Depreciation Expense	<u>40,172.08</u>	\$103,810.13
Miscellaneous Long-Term Debt		25,000.00
Advances for Construction		30,659.10
Contributions in Aid of Construction		13,514.28
Decrease in Working Capital		8,303.29
Total		<u>\$181,286.80</u>
<u>Application:</u>		
Additions to Plant		\$170,019.77
Other Physical Property		2,321.17
Debt Retirement		8,945.86
Total		<u>\$181,286.80</u>

Applicant's Position

The application states that during the years since the last rate increase in 1955, taxes have greatly increased and costs of labor, equipment and supplies have steadily increased so that with gross operating revenues of \$85,278 for the calendar year 1957 the net income, after various deductions which include \$3,151 interest on long-term debt, was \$15,597 related to the depreciated rate base of \$264,153 at the end of that year.

In his testimony at the hearing, applicant's president stressed the fact that for the past fifteen years no dividends have been paid to the corporation's stockholders and neither have any salaries been paid to its officers. He considers the proposed rates to be just and reasonable because they distribute the necessary charges among the water users in an equitable manner and, if put into effect, would result in sufficient revenue to enable applicant to render reasonably efficient and adequate water service to its consumers, to pay a fair return upon the invested capital of its stockholders, and to support its financial structure in a stable and economic manner.

Applicant's witness pointed out that since the census of 1950 the population of Sonoma County has increased almost 40 percent and that during the same period the utility's service connections have increased over 80 percent. In an effort to keep pace with this growth in a territory containing relatively large vacant areas held for speculation and with service being rendered to building developments at varying elevations, applicant's facilities have been installed on the basis of expediency, which practice has resulted in overtaxing the supply, distribution and storage facilities. This

has developed inadequacies of service which applicant desires to correct. In order to do so, applicant proposes to install additional plant in 1959 totaling \$41,575 with further expenditures to be budgeted after 1959 amounting to \$98,662 (Exhibit No. 3). To finance such contemplated expansion in plant facilities and to include the existing funded debt of over \$50,000, applicant claims it will be necessary to obtain a loan totaling \$200,000 at an interest rate of about six percent.

Applicant's present capital stock and earned surplus approximates \$222,500 upon which it suggests that a dividend at a rate of seven percent should be paid to its investors. In addition, applicant asks that provision be made for a relatively large reserve account for the replacement costs in excess of accounted depreciation and for the cushion necessary for prudent financial management. In summary, then, the following represents the claimed net revenue requirement, in addition to all operating expenses, including taxes and depreciation, which applicant alleges necessitates its proposed rates for water service (Exhibits Nos. 2, 4 and 6):

Interest at 6% on \$200,000 funded debt	\$12,000
Dividends at 7% on \$222,500 stockholders' equity	15,575
Additional for reserve or surplus	<u>8,000</u>
Total net revenue requirement	\$35,575

The fallacy which leads to such an extravagant claim of revenue requirements applicable to the year 1959 springs from two sources: (1) the fact that the funds needed for all plant additions contemplated to be installed by the end of 1959 will require extending the funded debt to less than one-half of the total anticipated amount of \$200,000, even if all of it is borrowed from outside sources instead of following the applicant's recent practice of investing in plant all of its operating income and depreciation accruals; and (2) the relatively extraordinarily large amount of \$8,000 representing something to be passed to the surplus account.

Applicant's Exhibits Nos. 5 and 11 are letters dated January 13, 1959 and January 21, 1959, respectively, from Blyth & Co., dealers in investments, concerning the feasibility of the sale of \$200,000 of first mortgage bonds contemplated to be issued by applicant. The opinions in these letters are generalizations to the effect that the sale of such bonds would not be feasible under applicant's existing rate structure, that the sale would be feasible under its proposed rate structure and that, among other considerations, such feasibility would require a minimum interest coverage before income taxes in the neighborhood of three times.

Having carefully considered the foregoing named elements of the net revenue requirement advocated by applicant, we will now proceed to test the reasonableness of applicant's present and proposed rates and the corresponding rates of return computed upon conventional rate bases. In other words, we will apply the rule,

many times substantiated by the courts of the land, that the reasonable return to which a utility is entitled to have an opportunity to earn is a return upon its property reasonably devoted to the public use.

Summary of Showings

Exhibit No. 1 is a photographic reduction of a chart presented by applicant's president to show the recent annual growth in plant devoted to public utility purposes. The end-of-year figures as recorded and estimated for the various years are \$248,934 for 1954; \$300,597 for 1955; \$365,848 for 1956; \$394,491 for 1957; \$419,491 (approximate) for 1958; and \$462,269 (estimated) for 1959.

The same witness submitted Exhibit No. 4 showing a summary of applicant's earnings for the years 1956, 1957, 1958 (normalized) and 1959 (estimated), which he supplemented by oral testimony pertaining to rate bases and rates of return for the years 1958 and 1959 at both present and proposed rates. Exhibit No. 7 is a report on the results of applicant's operations for the recorded year 1957 and as estimated for the years 1958 and 1959 at both present and applicant's proposed rates, submitted by Commission staff engineering and accounting witnesses. The staff also introduced Exhibit No. 8 to show a comparison of applicant's and the staff's summaries of earnings.

The following tabulation compares the respective showings of applicant and the Commission staff, extracted from Exhibits Nos. 4, 7 and 8 in this proceeding.

SUMMARY OF EARNINGS

Years 1957, 1958 and 1959

Item	Year 1957 Recorded	Year 1958 Estimated			
		Present Rates		Proposed Rates	
		Applicant	Staff	Applicant	Staff
<u>Operating Revenues</u>					
Service Charges -					
Gen.Met. Cust.	\$ 42,852	\$ 41,635	\$ 41,680	\$ 62,453	\$ 62,525
Quantity Charges -					
Gen. Met. Cust.	40,750	46,120	45,960	65,509	65,285
Misc. Other Service	1,676	1,901	1,830	2,391	2,310
Total Revenues	<u>85,278</u>	<u>89,656</u>	<u>89,470</u>	<u>130,353</u>	<u>130,120</u>
<u>Operating Expenses</u>					
Total Opr.& Main.Exp.	40,192	42,554	47,120	42,554	47,120
Depreciation Exp.	11,869	12,702	12,075	12,702	12,075
Taxes - General	6,591	7,058	7,950	7,058	7,950
Taxes on Income	7,721	7,947	5,850	30,894	26,030
Total Expenses	<u>66,373</u>	<u>70,261</u>	<u>72,995</u>	<u>93,208</u>	<u>93,175</u>
Net Revenue	18,905	19,395	16,475	37,145	36,945
Rate Base (Depr.)		271,254	266,400	271,254	266,400
Rate of Return		7.2%	6.2%	13.7%	13.9%

Item	Year 1959 Estimated			
	Present Rates		Proposed Rates	
	Applicant	Staff	Applicant	Staff
<u>Operating Revenues</u>				
Service Charges-Gen. Met. Cust.	\$ 43,740	\$ 43,240	\$ 65,610	\$ 64,860
Quantity Charges " " "	48,824	48,410	69,349	68,755
Misc. Other Service	2,130	1,990	2,640	2,545
Total Revenues	<u>94,694</u>	<u>93,640</u>	<u>137,599</u>	<u>136,160</u>
<u>Operating Expenses</u>				
Total Opr. & Maint. Exp.	52,876	48,260	52,876	48,260
Depreciation Expense	13,819	12,960	13,819	12,960
Taxes - General	8,203	8,690	8,203	8,690
Taxes on Income	5,573	6,320	28,501	27,810
Total Expenses	<u>80,471</u>	<u>76,230</u>	<u>103,399</u>	<u>97,720</u>
Net Revenue	14,223	17,410	34,200	38,440
Rate Base (Depreciated)	291,115	275,300	291,115	275,300
Rate of Return	4.9%	6.3%	11.7%	14.0%

Analysis of the data shown in the foregoing tabulation discloses some significant differences between the estimates submitted by the applicant and the staff which will be discussed briefly under the headings indicated.

1. Operating Revenues

The differences between the two sets of estimates of operating revenues for the two test years 1958 and 1959 are well within the range of accuracy expected where independent studies are made. The staff's amounts are slightly lower than applicant's and they will be adopted as reasonable as a basis for determining the operating revenues which will result from the several schedules of rates which will be authorized hereinafter.

2. Operation and Maintenance Expenses

The staff's higher total for operation and maintenance expenses as estimated for the year 1958 may be largely explained by the fact that, in order to put the two test years on a comparable basis, the staff reflected in its 1958 estimates the increases for additional personnel and higher wage levels, electric power and postage rates which will be in effect in 1959, whereas applicant did not include such increases in its 1958 estimates.

However, for the year 1959, the staff's estimate of these expenses is considerably lower than applicant's estimate for this year. A review of the testimony pertaining to this group of expenses convinces us that the staff's estimates are generally more consistent and realistic. However, one expenditure of about \$1,950 for waterproofing applicant's 360,000-gallon gunite-lined earth-fill reservoir requires special consideration. Applicant treated this item as an abnormal expense to be spread for rate-making purposes over a period of three years, whereas the staff considered it to be a capital improvement to plant. The staff's accounting witness

admitted that this is a borderline case, the accounting for which could be interpreted either way. It appears that this work, which was done in the latter part of 1958, was performed primarily for the purpose of preventing failure, restoring serviceability and maintaining life of the storage facility and therefore applicant's method will be used for the purpose of this proceeding. Accordingly, by adding \$650 to each of the staff estimates, the amounts of \$47,770 and \$48,910 will be adopted as reasonable to represent the total operation and maintenance expenses for the test years 1958 and 1959, respectively.

3. Depreciation

In Decision No. 51804, applicant was ordered to determine depreciation expense, beginning with the year 1955, by multiplying the depreciable fixed capital by a rate of 3.43 percent, said rate to be used until a review by the straight-line, remaining life method might indicate it should be revised. In the current proceeding, applicant used the prescribed composite rate of 3.43 percent in estimating depreciation expense for the years 1958 and 1959.

Consistent with its standard practice, the staff reviewed the various elements of applicant's depreciable plant and developed a smaller composite rate applicable to all depreciable plant, which largely accounts for the fact that the annual depreciation accruals for the two test years 1958 and 1959 as determined by the staff are somewhat smaller than those determined by applicant. The staff's estimates of depreciation expense as hereinafter revised are considered reasonable and will be adopted for the purposes of this proceeding.

At the hearing, the staff's engineering witness recommended that applicant should continue to determine depreciation by the straight-line remaining life method but that, in view of the present and rapidly increasing totals of depreciable plant, it would be

preferable to determine the depreciation accrual for each plant account rather than to continue using a composite rate for all depreciable plant. Applicant's witness accepted the staff's recommendation and the order herein will so provide.

4. Taxes

An analysis of the taxes other than those on income indicates that the staff's estimates, although appreciably greater in amount than applicant's for both test years 1958 and 1959, have been more carefully and realistically computed and they are considered reasonable. Except as hereinafter revised, they will be adopted for the purposes of this proceeding.

Taxes on income vary, of course, with the amount of taxable income which, in turn, depends upon the estimated gross revenue and the allowable deductions. This accounts for the staff's estimates of income taxes being smaller than applicant's in 1958 and larger in 1959. The amounts of income taxes computed and adopted for use in connection with this proceeding will be developed later.

5. Utility Plant and Rate Bases

The differences of nearly \$5,000 for 1958 and nearly \$16,000 for 1959 between the two sets of figures shown as estimated average depreciated rate bases may be largely ascribed to differences in the amounts of estimated plant additions for the two test years.

Based on nine months' recorded figures for the year 1958, the staff estimated that the net plant additions for the year would be \$23,000. At the hearing, applicant's witnesses testified that the recorded net additions to plant for the full year 1958 had totaled \$28,020; this amount includes improvements to provide adequate pressure to customers in the Hillcrest Avenue area which the staff had included in its recommended improvements for 1959 but which were actually completed in 1958 at a cost of some \$1,500.

For the year 1959 the staff's estimated net additions, together with recommended improvements, amounted to \$30,600. Applicant's Exhibit No. 3 shows in some detail its proposed capital additions for 1959 at a total estimated cost of \$41,575. The staff engineering witness agreed that all items of improvements, replacements and those for normal growth are desirable and necessary, with the exception of \$6,000 for certain construction equipment which he felt that applicant should rent, rather than buy, for its purposes. Exhibit No. 3 also contained a list of capital expenditures to be budgeted after 1959, totaling nearly \$99,000, which amount also included an item of \$6,000 for other rolling equipment.

Accordingly, applicant's reported net additions of \$28,020 in 1958 and an estimated amount of \$35,575 for proposed additions in 1959 will be incorporated in the figures for average utility plant for the two test years. The staff's allowances for materials and supplies and for working cash, although somewhat less than applicant's, are considered reasonable and will be used for these elements of rate base.

The staff's amounts of the depreciation reserve, slightly greater than applicant's, will be adopted for the purposes herein. However, instead of the staff's estimates for unrefunded advances for construction and for unamortized contributions, use will be made of applicant's estimates based on recorded balances; namely, \$43,617 and \$44,540 for customers' advances for 1958 and 1959, respectively, and \$24,944 and \$25,265 for contributions for 1958 and 1959, respectively.

Rate of Return

After adjusting depreciation expense and ad valorem taxes for the increased plant additions and using the amounts found reasonable in the foregoing discussion, the following tabulation indicates the adopted results of applicant's operations for the year 1958 as estimated at present rates and at applicant's proposed rates, and for the year 1959 estimated at present rates, proposed rates, and at the rates hereinafter authorized.

Results of Operation as Adopted

	<u>1958 Estimated</u>		<u>1959 Estimated</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
<u>Operating Revenues</u>					
Service Charges -					
Gen. Met. Cust.	\$ 41,680	\$ 62,525	\$ 43,240	\$ 64,860	\$ 43,240
Quantity Charges -					
Gen. Met. Cust.	45,960	65,285	48,410	68,755	54,510
Private Fire Prot. Serv.	115	180	115	180	125
Publ. Fire Hydr. Serv.	1,085	1,500	1,240	1,730	1,460
Sobre Vista Mut. Wtr. Co.	530	530	535	535	535
Miscellaneous	100	100	100	100	100
Total Revenues	<u>89,470</u>	<u>130,120</u>	<u>93,640</u>	<u>136,160</u>	<u>99,970</u>
<u>Operating Expenses</u>					
Total Opr. & Maint. Exp.	47,770	47,770	48,910	48,910	48,910
Depreciation Exp.	12,160	12,160	13,205	13,205	13,205
Taxes - General	8,350	8,350	8,850	8,850	8,850
Taxes - On Income	5,480	25,420	5,975	27,240	8,055
Total Expenses	<u>73,760</u>	<u>93,700</u>	<u>76,940</u>	<u>98,205</u>	<u>79,020</u>
Net Revenue	15,710	36,420	16,700	37,955	20,950
Rate Base (Depre.)	270,000	270,000	287,000	287,000	287,000
Rate of Return	5.8%	13.5%	5.8%	13.2%	7.3%

The preceding tabulation indicates a decline of 0.3 percent in the rate of return for 1959 at the proposed rates as compared with that for 1958, whereas no such decline is indicated at the present rates. This appears to be mostly due to the effect of increased federal taxes on income as more of it comes within the higher tax

bracket. The Commission staff has pointed out that for the year 1959, were gross revenues to exceed \$100,420, the net-to-gross multiplier resulting from consideration of both federal and state income taxes would increase from 1.49 to 2.17. It may be seen that, with gross revenues of about \$100,000 at the rates to be authorized herein, the applicant is at that critical point where one year's normal growth will produce taxable income, a part of which will be subject to a much higher federal tax. In other words, below this point to obtain an increase in net revenue after income taxes of \$1,000 would require an increase in gross revenue of \$1,490 before income taxes, whereas above this point the corresponding increase in gross revenue would need to be \$2,170. It can be easily demonstrated that the effect of this transition at the critical point will result in a decline of about 0.3 percent, by projecting the results of applicant's operations into the year 1960.

Customer Participation

One customer witness presented a petition signed by about 40 residents of the Madrone Tract (equivalent to about 30 customers, due to duplication) protesting any increase in the service charge and a similar petition signed by essentially the same people against a raise in the quantity rates (Exhibits Nos. 10-A and 10-B). This witness, like many other customers, some of whom represented various unincorporated civic organizations, expressed opposition to the magnitude of the prospective increase in the cost of water service. Several witnesses particularly asked that whatever increases were found necessary be incorporated in the quantity rates, rather than in the service charge. It is evident from their testimony that the reasons for the service charge are not understood and therefore it is unpopular since it does not entitle the customer to any water.

One witness prophesied that any such increase in rates and charges as proposed by applicant would result in diminishing returns. He alleged that higher water bills would induce cutomers to use less water, particularly for such purposes as watering of lawns. One relatively large water user testified that any substantial increase in his bills would influence him to seriously consider installing his own well and pump. Another user stated that she was already considering the rehabilitation of an existing pumping plant on her premises with the intention of using water from it for irrigation purposes, at least.

Some customers protested the proposed increases from the standpoint of the service being rendered and voiced complaint about the quality and adequacy of the water supply. Most of the complaints concerned either sandy or dirty water and low pressure during periods of maximum demand. In this regard, applicant admitted that there had been justification for such complaint in the past but claimed that the installation of a sand trap at one well, changes in pumping and flushing procedures and the proposed construction of more storage capacity and additional and larger mains and the interconnection of parallel mains on some streets, with the elimination of several dead ends, would remedy such service defects and reduce cause for complaint in the future.

One customer who uses water primarily during occupation of his premises in the summer season, of which category it is understood there are a substantial number, expressed his dissatisfaction with the present and proposed form of rate schedule which includes a service charge applicable to every month of the year.

Sobre Vista Mutual Water Company

The last paragraph of the opinion in Decision No. 54668, dated March 12, 1957, in Case No. 5762, permanently suspending the

schedule filed by applicant for metered water service to Sobre Vista Mutual Water Company, reads as follows:

"Accordingly, we should and will permanently suspend Schedule No. 9, as filed by the utility on April 20, 1956. Should the utility and the protestants, however, pending settlement of their litigation, be willing to enter into, and submit to the Commission, an agreement respecting a rate or charge for the transportation or delivery of water by the utility to protestants' meters, such agreement being in the nature of a special contract deviating from the utility's filed tariffs, the Commission will consider such agreement and take appropriate action thereon."

No such agreement has been submitted to the Commission for its consideration and neither is there on file any schedule for the service being rendered the said organization, which is understood to be a nonprofit California corporation and a duly organized mutual water company. During the course of its investigation, the Commission staff found that the service is being rendered through a 4-inch metered connection in the manner and at the rates previously described herein. The said rates deviate from the utility's filed tariffs and applicant has not proposed any change or revision thereof.

At the hearing in the instant proceeding, applicant stated that the litigation to which reference was made in the foregoing quotation from Decision No. 54668 had been settled by a stipulated judgment dated November 6, 1957, rendered by the Sonoma County Superior Court in action No. 36607, a copy of which judgment was offered by applicant and made a part of Exhibit No. 12 herein. The judgment relates to the possession of various water rights and water easements claimed by the litigants but determines no rates or conditions under which applicant herein shall release or deliver any of said water as a public utility.

Also offered by applicant and made a part of Exhibit No. 12 is a copy of an agreement dated variously from September 11 to November 6, inclusive, in 1957, the parties to the agreement being Sonoma Water & Irrigation Co., Sobre Vista Water Company,^{1/} and the owners of certain parcels of real property within the area known as Sobre Vista Acres Subdivision No. 1, which owners are all shareholders of Sobre Vista Water Company. The agreement is for a period of twenty years, the terms of which are subject to renegotiation every five years. By the terms thereof, effective July 1, 1956, applicant agreed (1) to continue to deliver to the "Ninety Thousand (90,000) gallon reservoir"^{2/} the water or waters to which the mutual company and owners are entitled by virtue of certain deeds; (2) to cause said water to be chlorinated; and (3) to permit the mutual company and owners to take such water from the said reservoirs, which is to be metered, and for which services applicant is to be paid during the first five years of the agreement at the following rates:

For Water Delivered Each Calendar Month:

For the first 10,000 gallons - 35¢ per thousand gallons
For the next 10,000 gallons - 25¢ per thousand gallons
For all over 20,000 gallons - 20¢ per thousand gallons

It is of record that the water collection and transmission facilities which are used to deliver water to the reservoir, as well as the reservoir itself, are owned by applicant and the cost of them has been included in the rate bases involved herein. The 4-inch meter through which the water is delivered is presently owned by the mutual company. Beyond the meter lie the transmission and

^{1/} The word "Mutual" does not appear in the name of this organization in this document.

^{2/} In this proceeding sometimes more accurately described as a 72,000-gallon reservoir.

distribution pipelines used and maintained by members of the mutual company for the ultimate delivery of water to their premises.

Under these circumstances it appears that no unreasonable discrimination is involved at this time by the collection, storage, treatment, delivery and sale of water by applicant to its customer, the Sobre Vista Mutual Water Company, at the rates named in the agreement. Accordingly, the revenues derived from the application of such rates will be included as part of the revenues found reasonable herein as an element in the rate of return.

By the order herein, applicant will be required to either acquire possession of the existing 4-inch meter or install a meter of its own, in order that it may have full control of the measurement of water delivered to the mutual company.

Staff Recommendations

Chapter 12 of Exhibit No. 7 contains nine recommendations of the Commission staff which applicant should carry out, except Item 3 which the record shows has already been accomplished, and the order hereinafter will provide for their execution to the extent considered appropriate. Compliance with those and other portions of the order is expected to correct certain service deficiencies noted in Chapter 10 of the said exhibit and about which customers made complaint during the hearing in this proceeding.

General Metered Service

The current type of rate schedule for general metered service, which incorporates an annual service charge and monthly quantity rates for all consumers, was first authorized for this utility by Decision No. 46059, dated August 7, 1951, in Application No. 32261. It was adopted in order to eliminate the former summer resort rates, which had proved unsatisfactory and difficult to

administer, and to apportion the necessary costs of providing the service in an equitable manner between the permanent residents and seasonal water users. These costs should be allocated to all customers connected to the system, regardless of the continuity or frequency of their individual demands. Because of the still considerable number of seasonal users, the rate schedule to be authorized herein will continue the service charge on an annual basis, rather than on a monthly basis with the special conditions proposed by applicant.

A properly designed service charge type of rate schedule for a water utility equitably distributes the cost of service between the various classes of users, by the segregation of the total costs into two main classifications: (1) those which represent the cost of rendering the service to the customer regardless of the quantity of water he may use, and (2) those which represent the cost of delivering a certain volume of water to the customer.

From the first group of these cost segregations there is derived the customer's cost or service charge, which is composed of several items including the cost of reading meters; the commercial cost of bookkeeping, billing and collecting; the maintenance and repair costs, depreciation charges and return on the investment applicable to the meter and service pipe to the individual customer and also to a portion of the distribution piping to which the services are attached; and perhaps some other, miscellaneous items. The established service charge then represents the actual cost of these items as closely as it can be determined.

The commodity or quantity charge is then derived from the second group of segregated costs which generally include such items as the cost of purchasing or pumping the water supply; the expenses

of purification, chlorination or other water treatment; the maintenance and repair costs, depreciation charges and return on the investment applicable to the source of water supply, pumping and water treatment facilities, to storage reservoirs and tanks, transmission mains and large distribution mains; and sometimes other, miscellaneous items. The commodity costs thus determined may be converted to a single quantity rate, or two quantity rates in some cases.

The service charge type of rate for general metered service will be continued in effect by the order herein. Without any cost of service study having been made in the present proceeding, it becomes necessary to establish the service charges and to determine the corresponding quantity rate or rates in the light of the best available information shed against the historical background.

While applicant has requested even higher percentage increases in the service charges for meters of various sizes than the percentage increases in the quantity rates, in view of the relatively small over-all increase in revenues herein found reasonably necessary, the service charge for a 5/8 by 3/4-inch meter will be maintained at \$2.00 per month, or \$24.00 on an annual basis.

However, it is apparent that the service charges in applicant's presently filed schedule are already proportionately much higher than warranted for meters larger than 5/8 by 3/4 inch. Therefore, advantage will be taken of this opportunity, in the rate schedule for annual general metered service hereinafter authorized, to establish service charges for meters of the larger sizes consistent with the \$24.00 annual charge for service through a 5/8 by 3/4-inch meter and somewhat commensurate with the relative capacities of the meters of various sizes.

Based on estimated quantities of annual deliveries of water to all general service customers, quantity rates will be established which, in addition to the revenues obtainable from the service charges and from other classifications of service, will produce the total revenues necessary to produce the rate of return hereinafter found reasonable.

In accordance with the recommendation of the Commission staff, the schedule of rates for general metered service will be stated in units of 100 cubic feet instead of thousands of gallons as at present. This is in line with a continuing policy to achieve as much uniformity as possible in the form of rate schedules for convenience of comparison. While applicant will not be required to convert the dials of its existing meters from readings in gallons to cubic feet, it is recommended that applicant make such conversions whenever replacements and repairs to its existing meters make such conversion feasible and that all new meters purchased should register deliveries in cubic feet. Applicant will be required to post in its office, for the convenience of all customers, a table illustrating the conversion of meter readings in gallons to billing quantities in cubic feet, together with the appropriate charges therefor.

Private Fire Protection Service

Applicant's present tariff schedules include none for fire protection service. It proposes a schedule of monthly rates ranging from \$3.50 for each 1½-inch connection, through \$15.00 for a 6-inch connection, to \$40.00 for each 10-inch connection. The special conditions pertaining to the proposed schedule provide that the applicant for such service must pay the cost of the service connection and also the cost of installing a service main from the nearest

existing main of adequate capacity if a distribution main of adequate size does not exist in the street or alley adjacent to the premises to be served with private fire protection. Such costs are not to be subject to refund.

The only private fire protection service now being rendered is through a 6-inch connection to a hotel being converted to a rest home which is required by law to be equipped with an automatic sprinkler system. Both the owner of the premises and the applicant testified as to the circumstances pertaining to the installation of that service connection. At the request of the hotel owner and two other parties, applicant agreed to extend its water main a total distance of about 555 feet to supply them with normal water service. In accordance with its filed rule governing main extensions to serve individuals, applicant required each of the three parties to advance \$390, or a total amount of \$1,170, as the estimated cost of 360 feet of 4-inch main in excess of 65 feet of main extension per service connection, which amount is subject to refund. However, applicant decided to use 6-inch pipe for the extension to provide for possible future growth, the difference between the amount advanced and the actual total cost of \$2,213 having been borne by applicant as its own portion of the cost.

During the course of the negotiations the hotel owner requested a 6-inch connection to the proposed 6-inch main, for private fire protection service. Although he paid the entire cost of the 6-inch piping from the new main to and on his premises, he was not required to pay for any part of the 6-inch main extension other than his portion of the estimated cost of a 4-inch main as related above. There being no filed rate schedule for such service, a rate of \$9.50 per month was informally agreed upon and has been

charged by applicant. At the hearing this customer vehemently objected to the proposed rate of \$15.00 per month as being exorbitant and unreasonable for such service.

In the absence of a detailed study of the cost of providing such service, it becomes necessary to establish a rate schedule based on judgment in the light of available information. The schedule of rates for private fire protection service which will be authorized by the order herein will result in a future rate of \$10.50 per month for a 6-inch connection, representing an increase of about 10½ percent over the rate now being charged for a connection of that size.

Public Fire Protection Service

The presently filed tariff schedule for public fire hydrant service includes a rate for hydrants installed by the fire protection agency and higher rates for hydrants owned and installed by the utility on mains of various diameters. The record shows that all fire hydrants now in service and those anticipated to be installed in the near future are and will be owned and maintained by the utility. They are of two general types, some with two 2½-inch hose outlets and others with one 2½-inch outlet and one 4½-inch steamer outlet.

The rates proposed by applicant vary with the type or size of hydrant and the size of main to which they are attached and would result in total revenues approximately 40 percent greater than those obtainable at present rates. A representative appearing for the local fire district questioned the necessity for and the reasonableness of the proposed increases in charges for the public fire protection service being rendered.

The schedule of rates for public fire hydrant service which will be authorized by the order herein will be designed to reflect the relative value of the service rendered in terms of probable flows from the hydrants, based upon considerations as to their type and size and the size of the water mains to which they are connected. It is estimated for the year 1959 that the authorized rates will produce about 18 percent more revenue than the rates now in effect, from the existing hydrants and those anticipated to be installed. It may be pointed out that a portion of the increase results from the installation of more mains of the larger diameters, to which the fire hydrants are and will be connected, thus providing better fire protection service.

Findings and Conclusions

The Commission finds and concludes that the estimates of operating revenues, expenses, including depreciation and taxes, and the rate bases as revised herein reasonably represent the results of applicant's operations for the years 1958 and 1959 and they will be and hereby are adopted for the purposes of this proceeding.

The evidence is clear, as the foregoing tabulations indicate, that revenues obtainable from existing water rates are no longer adequate to meet applicant's reasonable needs and that applicant is in need of and entitled to increased revenue. However, it is further evident that the revenues which applicant's proposed rates will produce are greater than, and the resulting rate of return on applicant's investment is in excess of, those which are reasonable.

As indicated by a foregoing tabulation, the rates herein-after authorized are estimated to produce for the year 1959 total revenues of about \$99,970 from the several water services being

rendered, had such rates been made effective at the beginning of the year, which revenues are \$6,330, or approximately 6-3/4 percent, more than those estimated to be obtainable from rates presently in effect. After due allowance for all reasonable operating expenses, taxes and depreciation amounting to \$79,020, the resulting net revenue of \$20,950 represents a rate of return of 7.3 percent on the depreciated rate base of \$287,000. In view of an indicated annual decline in the rate of return of 0.3 percent resulting primarily from a foreseeable increase in federal income taxes, the Commission concludes that the water rates to be authorized herein will produce earnings sufficient to afford applicant an opportunity to earn a rate of return of 7.0 percent for the immediate future, which rate of return we find to be fair and reasonable. In making this finding we are not unmindful of the fact that the rate of return found reasonable by Decision No. 51804 in the previous rate increase proceeding was 7.15 percent.

Accordingly, the Commission further finds as a fact that the increases in rates and charges authorized herein are justified and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

To the extent that the estimated cost of certain improvements and additions to plant have been included in the rate base for the year 1959 hereinabove adopted, the order herein will require applicant to make such installations within a reasonable time. It is observed that such additional plant facilities proposed by applicant to be installed in 1959 and also those to be budgeted after 1959, as listed in Exhibit No. 3, do not include any provision for increasing the supply of water otherwise than by providing additional storage capacity. Therefore, we conclude and find, in the light of

all of the evidence in this proceeding, that the prohibition of furnishing water to any new or additional subdivisions ordered by Decision No. 51804 should be continued in effect.

O R D E R

The above-entitled application having been filed with this Commission, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicant Sonoma Water & Irrigation Company, a corporation, 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 schedule of rates attached to this order as Appendix A and, on not less than five days' notice to this Commission and to the public, to make such rates effective for all service rendered on and after May 1, 1959.

2. Within forty-five days after the effective date of this order, applicant shall file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, rules governing customer relations revised to reflect present-day operating practices, a revised tariff service area map and sample copies of printed forms normally used in connection with customers' services.

3. Within sixty days after the effective date of this order, applicant shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 400 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 utility properties of applicant.

4. Beginning with the year 1959, applicant shall determine the accruals for depreciation for each plant account by dividing the original cost of utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant; applicant shall review the accruals when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

5. Within ninety days after the effective date of this order, applicant shall report to the Commission in writing what steps it proposes to take to provide water pressure to present and future customers in the Lomita Estates area in accordance with the requirements of the Commission's General Order No. 103.

6. Applicant shall report to the Commission in writing, including pertinent description and costs of the facilities concerned, within thirty days after each of the following items of improvements and additions to plant shall have been accomplished and the facilities placed in proper operation, all of which shall be completed not later than December 31, 1959:

- a. Installation of the facilities necessary to carry out the steps required by the foregoing paragraph 5 of this order.
- b. Installation of approximately 400 feet of pipeline not smaller than 8-inch diameter from the existing 8-inch main on Agua Caliente Road to the existing 125,000-gallon tank.
- c. Replacement of the existing main on Solano Avenue between Bay Street and Riverside Drive with a pipeline not smaller than 4-inch diameter.
- d. Installation of a pipeline of suitable size to interconnect the existing main on East Thompson Avenue with the existing 6-inch main on State Highway No. 12.

- e. Installation of a storage tank of not less than 126,000-gallon capacity at an appropriate elevation in the Sobre Vista area.
- f. Installation of approximately 900 feet of pipeline of suitable diameter on Vallejo Avenue interconnecting with the existing mains on Calle del Monte and State Highway No. 12.
- g. Installation of approximately 600 feet of pipeline not smaller than 4-inch diameter to interconnect the existing main on Meinke Road with the existing 4-inch main on West Thompson Avenue.
- h. Change the customers' services in the vicinity of Calle de Monte to connect with the new mains.
- i. Installation of approximately 600 feet of pipeline not smaller than 4-inch diameter from the existing two 25,000-gallon tanks to the existing mains on Chestnut and Hillcrest Avenues.
- j. Replacement of approximately 600 feet of the existing 1-inch mains on Pine Street and vicinity with a pipeline not smaller than 4-inch diameter.
- k. Installation of a pipeline of suitable size to connect the hotel grounds with the existing 6-inch main on Boyes Boulevard.
- l. Installation of at least one-third of the total length of approximately 4,367 feet of pipeline not smaller than 8-inch diameter on Agua Caliente Road, beginning at State Highway No. 12 and extending westerly toward Arnold Drive.

7. Within sixty days after the effective date of this order, applicant shall either acquire possession of the existing 4-inch meter installed in the pipeline supplying water service to Sobre Vista Mutual Water Company or install in said pipeline a meter of suitable size to measure the quantities of water supplied to said company and applicant shall inform the Commission in writing as to the manner in which this requirement was accomplished within ten days thereafter.

8. Beginning June 1, 1959, and semiannually thereafter for a period of two years or until the pumping efficiencies approach acceptable levels, whichever is sooner, applicant shall submit to the Commission written progress reports, in duplicate, concerning pumping efficiencies at its Stations 2, 4, 5 and 6. These reports shall contain such information as the well water level while pumping, the pump discharge pressure, the output of water in gallons or cubic feet per minute and the kilowatt input to the motor (obtained from the revolutions per minute of the watt-hour meter), or duplicate copies of the latest test reports prepared by the Pacific Gas and Electric Company covering the respective pump station performances.

9. On or before May 1, 1959, and continuously thereafter, applicant 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 at the currently effective rate schedule or schedules. Within ten days after the initial posting, applicant shall file with the Commission two copies of such conversion table.

10. In all other respects the application be and it is denied.

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

Dated at San Francisco, California, this 24th day of March, 1959.

E. Lynn Fox
President
W. E. [illegible]
William [illegible]
Thomas [illegible]
Ernest [illegible]
Commissioners

APPENDIX A
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Schedule No. 1

ANNUAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated area including the communities of Agua Caliente, Boyes Springs, El Verano and Petters Springs, and vicinity. located north-westerly of, and adjacent to, the City of Sonoma, Sonoma County.

RATES

Annual Service Charge:

	Per Meter Per Year
For 5/8 x 3/4-inch meter	\$ 24.00
For 3/4-inch meter	27.00
For 1-inch meter	33.00
For 1 1/2-inch meter	48.00
For 2-inch meter	72.00
For 3-inch meter	132.00
For 4-inch meter	216.00

Monthly Quantity Rates:

	Per Meter Per Month
For the first 1,500 cu.ft., per 100 cu.ft. ...	\$0.28
For all over 1,500 cu.ft., per 100 cu.ft.23

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. A customer who has established his permanency by having paid for service for the preceding 12 months may elect to pay the annual service charge on a monthly basis equal to one twelfth of the annual service charge.

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Schedule No. 1

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

2. The charges for quantities of water used may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative, monthly consumption basis.

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

The unincorporated area including the communities of Agua Caliente, Boyes Springs, El Verano and Fethers Springs, and vicinity, located north-westerly of, and adjacent to, the City of Sonoma, Sonoma County.

RATE

Per Service Connection
Per Month

For each inch of diameter of service connection	\$1.75
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SPECIAL CONDITIONS

1. The minimum diameter of the connection for fire protection service will be 1½ inches and the maximum diameter will be the diameter of the main to which the service is connected.
2. The fire protection service connection will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install, at its own cost, the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water.

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS—Contd.

5. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, Annual General Metered Service.

6. 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 the system.

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Schedule No. 5

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

Applicable to all fire hydrant service furnished to duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated area including the communities of Agua Caliente, Boyes Springs, El Verano and Fetters Springs, and vicinity, located northwesterly of, and adjacent to, the City of Sonoma, Sonoma County.

RATES

	Per Month		
	<u>Size of Service Main</u>		
	<u>4-inch</u>	<u>6-inch</u>	<u>8-inch and Larger</u>
For each hydrant with two 2½-inch outlets	\$2.50	\$2.75	\$3.25
For each hydrant with one 2½-inch and one 4½-inch outlet	2.75	3.25	4.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, Annual General Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. 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.