

**ORIGINAL**

Decision No. 67719

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 MARJORIE L. COFFILL and HELEN C. )  
 NIETFELD, sisters and copartners, )  
 dba Riverbank Water Company, for )  
 authority to increase the rates for )  
 water service rendered in and in )  
 the vicinity of the city of River- )  
 bank, and in the vicinity of the )  
 unincorporated town of Hughson, all )  
 located in Stanislaus County, )  
 California. )

Application No. 46184  
 Filed February 7, 1964

William C. Coffill, for Riverbank Water Com-  
 pany, applicant.  
Karl Hutheson, for Riverbank County Fire  
 Protection District; and Edward H. Mooney,  
 for the City of Riverbank, interested par-  
 ties.  
John J. Gibbons, for the Commission staff.

O P I N I O N

Applicants, Marjorie L. Coffill and Helen C. Nietfeld, who are doing business as Riverbank Water Company, seek herein authority to increase their rates for water service.

A duly noticed public hearing was held in this matter before Examiner Jarvis at Riverbank on May 28, 1964, and it was submitted on that date.

Applicants operate, as one entity with a common tariff, separate water distribution systems in the communities of Riverbank and Hughson, which are approximately six miles apart. The Riverbank system has 1,182 customers and the Hughson system has 598 customers.

An illustrative comparison of the present and proposed rates for a typical residential customer is as follows:

	<u>Present Rates</u>	<u>Proposed Rates</u>
Quantity Rates:		
First 400 cu.ft. or less .....	\$1.00	\$ -
First 500 cu.ft. or less .....	-	1.50
Next 2,000 cu.ft., per 100 cu.ft. ...	.15	-
Next 2,500 cu.ft., per 100 cu.ft. ...	-	.17
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	\$1.00	\$1.50

The record discloses that applicants' rates, except those dealing with fire protection, have been in effect and unchanged since 1922. Applicants and the Commission staff presented results of operations for the years 1963 and 1964, estimated, which are as follows:

SUMMARY OF EARNINGS  
(Applicants' Exh.No.3)

<u>Item</u>	<u>1963 Estimated</u>		<u>1964 Estimated</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Operating Revenues</u>				
All Services	\$ 58,330	\$ 76,036	\$ 63,190	\$ 82,360
<u>Deductions</u>				
Operation Expenses	41,405	41,405	42,540	42,540
Taxes other than Income	7,216	7,216	7,725	7,725
Taxes on Income	-	4,516	116	4,267
Depreciation Expense	9,808	9,808	11,280	11,280
Total Deductions	<u>58,429</u>	<u>62,945</u>	<u>61,661</u>	<u>65,812</u>
Net Revenue	(99)	13,091	2,129	16,548
Avg. Deprec. Rate Base	211,300	211,400	233,100	233,100
Rate of Return	-	6.19%	.91%	7.10%

(Red Figure)

SUMMARY OF EARNINGS  
(Staff's Exhibit No. 4)

<u>Item</u>	<u>1963 Adjusted</u>		<u>1964 Estimated</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 60,300	\$ 78,800	\$ 62,300	\$ 81,300
<u>Deductions</u>				
Operating Expenses	43,920	43,920	45,430	45,430
Taxes other than Income	9,240	9,240	9,400	9,400
Taxes on Income	-	3,330	-	3,450
Depreciation Expense	10,540	10,540	10,960	10,960
Total Deductions	63,700	67,030	65,790	69,240
Net Revenue	(loss)	11,770	(loss)	12,060
Avg. Deprec. Rate Base	238,300	238,300	242,600	242,600
Rate of Return	-	4.9%	-	5.0%

It is clear from the foregoing that applicants' rates are not sufficient and that they are entitled to an increase in rates.

The matters of controversy at the hearing related to applicants' attempt to restate certain accounts and the location and priority of proposed improvements to the system.

In Resolution No. 304, entered October 11, 1960, this Commission authorized applicants to restate their plant accounts and related reserve for depreciation as of December 31, 1959. The authorized restatement resulted in an increase in net plant over recorded figures of \$89,255. Applicants, in this proceeding, seek to make other adjustments in plant accounts and depreciation reserve which would result in an additional increase of \$8,153 in net plant as of December 31, 1963. The proposed adjustments are to correct alleged accounting errors which occurred after December 31, 1959. The staff contends that the proposed adjustments are not supported by applicants' books and records and should not be allowed. The only evidence adduced at the hearing in support of the proposed adjustments was the statement by the engineer who testified on behalf of applicants that

he had reviewed their records and thought that certain items charged to expenses should have been allocated to capital accounts. However, the items in question were not specified and no evidence was presented with respect to any particular item. The Commission finds that there is not sufficient evidence in this record to justify the proposed adjustments.

The record discloses that improvements to applicants' system have been financed, in recent years, by the reinvesting of all profits back into the system. Applicants included in rate base certain proposed additions to the system. There is no controversy about the proposed additions to the Hughson portion of the system. The controversy relating to the proposed additions in Riverbank relates to which specific facilities applicants should install in the near future.

Applicants proposed, in the filed application, to install a well with pump and treatment facilities in the vicinity of Estelle and Stanislaus Streets together with certain distribution mains in the area. At the hearing, applicants indicated that they intended to defer these improvements until at least 1966. Instead, applicants proposed to make near-term improvements in another part of the Riverbank system by installing a booster pump facility and replacing old undersized mains. The cost of the improvements proposed at the hearing is about the same as those proposed in the application.

Applicants contend that the change in priority of proposed improvements is warranted for various reasons. They state that the situation in the Estelle-Stanislaus area is not as bad as was represented to them; that there are not many customers in this area; that they want to first improve conditions in areas where there are more customers presently receiving service; that there are presently 2-inch mains in these older areas; that applicants propose to replace the 2-inch mains with 6-inch or 4-inch mains; that applicants proposed

to install a booster pump facility which will increase pressures in areas now having low pressure; and that these improvements will afford better service to more existing customers than the improvements originally proposed in the application. Applicants also indicated that they proposed making some additions in the Estelle-Stanislaus area, but at a later date.

Opposition to the change in priority of improvements came primarily from Lorenzo Zerillo, a longtime resident of Riverbank who desires to develop property in the Estelle-Stanislaus area. It appears that Mr. Zerillo and applicants are engaged in a controversy over a main extension to bring water to Mr. Zerillo's subdivision. If the well and mains originally proposed in the application were installed, the costs of a main extension to the Zerillo subdivision would appear to be substantially less than if they were not installed. Attorney Leo Milich, Zerillo's attorney, who also resides in the Estelle-Stanislaus area, testified that he received water service from applicants, that there was a pressure problem in the area; that a new convalescent hospital had been constructed in the area; that the furnishing of water service to the hospital would increase the pressure problem; that additional construction in the area would lead to a worsening of the pressure problem; and that installation of the facilities originally proposed in the application would alleviate the pressure problem in the Estelle-Stanislaus area.

An assistant utilities engineer, who testified on behalf of the staff, indicated that in his opinion the booster pump facility, for temporary expediency, and replacement mains in the more densely populated areas of applicants' system should be installed. He also indicated that he believed the proposed rate increases to be reasonable and recommended that they be granted.

The Commission expresses no opinion in this decision on the merits of the main extension controversy between applicants and Mr. Zerillo. On the question of priority of improvements, the Commission is of the opinion that the additions proposed at the hearing (in lieu of those proposed in the application) are reasonable; that these improvements will benefit more of the applicants' existing customers than those improvements originally proposed; and that no good reason has been shown for the Commission to order a change in applicants' priority of making improvements.

The record indicates that applicants have been lax in replying to correspondence with the Riverbank Fire Protection District. Applicants are admonished that they have an obligation to promptly attend to all correspondence relating to their public utility operations, and particularly to correspondence dealing with a matter as important as fire protection.

No other points require discussion.

The Commission makes the following findings and conclusions:

Findings of Fact

1. Applicants are in need of increased revenues.
2. The estimates of operating revenues, expenses, including taxes and depreciation, and the rate bases as submitted by the staff for the years 1963 and 1964 reasonably represent the results of applicants' operations for the purposes of this proceeding.
3. The staff estimates of operating revenues, expenses, including taxes and depreciation, the rate base and rate of return for the test year 1964 are reasonable for the purpose of prescribing rates herein.
4. The rates proposed by applicants will yield a rate of return of 5 percent on an average depreciated rate base of \$242,600, and these rates are reasonable.

5. The increases in rates and charges authorized by this decision are justified, the rates and charges set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

6. There is a need for applicants to install a booster pump facility in the vicinity of Railroad and Sierra Avenues; approximately 1700 feet of 6-inch cement-asbestos pipe, to replace existing 2-inch pipe from the corner of Patterson Road and Callander Avenue (State Highway No.108) south to Ross Avenue, thence west on Ross Avenue to Jackson Street, approximately 1650 feet of 6-inch cement-asbestos pipe, to replace existing 2-inch pipe, on Roselle Avenue between Ward Avenue and Talbot Avenue; approximately 1800 feet of 4-inch cement-asbestos pipe, to replace existing 2-inch pipe, on Santa Fe Street between Claus Road and Snedigar Avenue; and that said improvements ought reasonably to be made to secure adequate service to the public.

7. Applicants should be ordered to install a booster pump facility in the vicinity of Railroad and Sierra Avenues, approximately 1700 feet of 6-inch cement-asbestos pipe from corner of Patterson Road and Callander Avenue (State Highway No. 108) south to Ross Avenue, thence west on Ross Avenue to Jackson Street, approximately 1650 feet of 6-inch cement-asbestos pipe on Roselle Avenue between Ward Avenue and Talbot Avenue and approximately 1800 feet of 4-inch cement-asbestos pipe on Santa Fe Street between Claus Road and Snedigar Avenue.

8. Applicants should be ordered to use the rates for depreciation set forth in Table 3-A and 3-B of Exhibit No. 4 until review indicates that they should be revised.

Conclusion

Applicants should be authorized to charge the rates set forth in Appendix A.

O R D E R

IT IS ORDERED that:

1. Applicants Marjorie L. Coffill and Helen C. Nietfeld are authorized to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedules of rates attached to this order as Appendix A and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after September 1, 1964.

2. Within sixty days after the effective date of this order, applicants shall file with the Commission four copies of a comprehensive map drawn to an indicated scale of not more than 400 feet to the inch, delineating by appropriate markings the various tracts and distribution facilities; and the location of the various water system properties of applicants.

3. Beginning with the year 1964, applicants shall base the accruals to the depreciation reserve upon spreading the original cost of the plant, less estimated future net salvage and depreciation reserve, over the remaining life of the plant, and shall use the depreciation rates shown in Tables 3-A and 3-B of Exhibit 4 of the instant proceeding. These rates shall be used until a review indicates that they should be revised. Applicants shall review the depreciation rates when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

4. On or before January 31, 1965, applicants shall install and place in operation in their Riverbank system a booster pump facility in the vicinity of Railroad and Sierra Avenues and shall so notify the Commission in writing within ten days thereafter.



5. On or before August 31, 1965, applicants shall install and place in operation approximately 1700 feet of 6-inch cement-asbestos pipe from the corner of Patterson Road and Callender Avenue (State Highway No. 108) south to Ross Avenue, thence west on Ross Avenue to Jackson Street, approximately 1650 feet of 6-inch cement-asbestos pipe on Roselle Avenue between Ward Avenue and Talbot Avenue and approximately 1800 feet of 4-inch cement-asbestos pipe on Santa Fe Street between Claus Road and Snedigar Avenue, and shall so notify the Commission in writing within ten days thereafter.

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

Dated at San Francisco, California, this 18th day of August, 1964.

Fredrick B. Holcomb  
President  
George H. Trover  
Dellman L. Bennett  
Commissioners

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Riverbank and Hughson and vicinities, Stanislaus County.

(T)

RATES

Per Meter  
Per Month

Quantity Rates:

First	500 cu.ft. or less .....	\$ 1.50	(I)
Next	2,500 cu.ft., per 100 cu.ft. ....	.17	
Next	17,000 cu.ft., per 100 cu.ft. ....	.10	
Over	20,000 cu.ft., per 100 cu.ft. ....	.08	(I)

Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 1.50	(C)
For	3/4-inch meter .....	2.00	
For	1-inch meter .....	3.00	
For	1 1/2-inch meter .....	6.00	
For	2-inch meter .....	9.00	
For	3-inch meter .....	15.00	
For	4-inch meter .....	22.00	

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

(C)

APPENDIX A  
Page 2 of 3

## Schedule No. 5

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

Riverbank and Hughson and vicinities, Stanislaus County.

(T)

RATES

Type of Hydrant	Size of Riser	Size of Connection	Number of Outlets	<u>Size of Main Supplying Hydrant</u>				(C)
				<u>Under 4-inch</u>	<u>4-inch</u>	<u>6-inch</u>	<u>8-inch</u>	
Wharf	Under 4-inch	Under 4-inch	1	\$1.00	\$1.00	\$1.25	\$1.50	
Wharf	4-inch	4-inch	1	-	1.25	1.50	1.75	
Wharf	6-inch	6-inch	1	-	-	2.50	3.00	
Barrel	Under 4-inch	Under 4-inch	1	1.00	1.25	1.50	1.75	
Barrel	4-inch	4-inch	1	-	1.50	1.75	2.00	
Barrel	6-inch	6-inch	1	-	-	2.50	3.00	(C)

SPECIAL CONDITIONS

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

2. The cost of installation and maintenance of hydrants shall be borne by the utility.

(T)

(Continued)

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

SPECIAL CONDITIONS--Contd.

3. Relocation of any hydrant shall be at the expense of the party requesting relocation.

4. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the specific location at which each is to be installed.

(N)  
|  
(N)

5. 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.