

Decision No. 12819

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
FRANK P. CADY and RILLA E. CADY
for a revision of rates charged for
water furnished to the inhabitants
of the town of Susanville and of
contiguous territory.

Application No. 9308

In the Matter of the Application of
FRANK P. CADY and RILLA E. CADY
to establish boundaries to the dis-
trict within which they shall be
required to furnish water.

Application No. 9309

J. E. Pardee for applicant.
B. V. Curler for City of Susanville.
H. D. Gregory in propria persona.
O. B. Hisaw for himself and certain
other property owners.

BY THE COMMISSION:

OPINION

Frank P. Cady and Rilla E. Cady, the applicants in the above entitled proceedings, are the owners of a public utility water system which is operated under the name and style of Susanville Water Works and which furnishes water for domestic and commercial purposes to the inhabitants of the incorporated town of Susanville, Lassen County, and adjacent territory.

In Application No. 9308 it is alleged in effect that the rates charged for water have been for the past three years non-compensatory and insufficient to produce the income necessary to meet the annual charges on the system, including an eight per cent.

interest return upon the investment in the plant. The Commission is therefore asked for authority to revise and change the rates to such an extent as will produce the necessary increased revenues.

In Application No. 9309 the request is made that this Commission approve of certain proposed district boundaries fixing the limit of the territory adjoining the town of Susanville, which applicants will be obligated to serve with water by further extensions of its distribution pipe mains.

A public hearing in the above entitled proceedings was held at Susanville before Examiner Satterwhite. All interested parties were duly notified and given an opportunity to appear and be heard, and by stipulation at the hearing these proceedings were consolidated for the purpose of taking testimony and for decision.

In support of their request for a limitation of service area, applicants introduced in evidence a map of the town of Susanville and vicinity showing the various outlying realty subdivisions. On this map were delineated the corporate limits of the town, the district boundary lines as proposed for the purpose of limiting future extensions of the utility's pipe mains, and the location and sizes of the distribution pipes at present installed.

This exhibit and the evidence submitted show a large extent of territory adjoining the town which has been subdivided into lots, the greater portion of which remain unimproved. Notwithstanding this condition, realty dealers have continued to expand the subdivided area at considerable distances beyond the existing pipe mains, and have in many cases demanded that the utility immediately extend its facilities to provide service to prospective consumers. The pipe main extensions, installed within the past few years to serve some of these sparsely settled areas, are mainly of small diameter and are not constructed in such a manner as

to provide circulation of water. Following a number of requests for further extensions of pipes to provide service in these outlying subdivisions and the filing of an informal complaint with the Commission by seven property owners who demanded service, the present proceeding was brought by the utility. The town of Susanville entered a protest against further extensions of the distribution mains, and requested the Commission to fix a boundary limiting the district which the utility may serve with water. Reference was made to a recent water shortage on the system as indicating that, with the present available water supply, the town is threatened with inadequate service.

Measurements of the gravity flow into the storage tanks made on September 7, 1923, show that there was being delivered a continuous flow of water equivalent to about 148,000 cubic feet per day, or an amount probably 40 or 50 per cent. in excess of the average daily consumption on the system during the past summer as computed from the records of water use submitted. The water shortage recently experienced was therefore evidently due directly to an insufficient storage tank capacity rather than to a real shortage of supply. Furthermore, it appears that the utility's present available water supply, when properly conserved and fortified with adequate storage facilities for the regulation of its distribution, should be ample for the needs of this community for some years to come.

After a careful consideration of the evidence, it does not appear necessary or reasonable that this Commission place a limit on future extensions of the distribution system to outlying territory by approving of the proposed boundary limits for service, as requested herein.

However, under the circumstances it is apparent that

the utility is entitled to certain relief and to this end it is recommended that it adopt, with the approval of the Commission, suitable general rules for the extension of pipe mains to provide service to new consumers.

The evidence shows the probability that such general rules may not prove equitable where extensions are requested for territory outside the utility's acknowledged present service area and which would necessitate the installation of considerable lengths of pipe main of a capacity larger than would normally be required. In such cases extensions of water mains may be made under special arrangements whereby those desiring the extensions will be required to finance the reasonable cost of the necessary installations, such amounts so advanced to be refunded by the water company, provided the extensions prove remunerative within a reasonable period of time. In case of failure to reach an agreement for such extensions the matter may be referred to the Railroad Commission for adjustment.

In connection with Application No. 9308, for an increase in rates, H. A. Noble, one of the Commission's hydraulic engineers, made a field investigation of the system, and his report thereon, including an appraisal of the system, was submitted in evidence at the hearing. This appraisal shows the total estimated original cost of the present operative system as \$98,236, and a depreciation annuity computed by the 5 per cent. sinking fund method, of \$1,276.

The applicants submitted no detailed appraisal of their property and accepted that of the Commission's engineer without protest other than regarding certain omissions of small amount in the inventory. The evidence submitted indicates that the sum of \$98,900 is a reasonable rate base for the purpose of this proceeding.

The maintenance and operation expenses (exclusive of depreciation annuity), and the revenues for the past five years as shown in the annual reports of the utility to the Commission, are as follows:

	<u>1918</u>	<u>1919</u>	<u>1920</u>	<u>1921</u>	<u>1922</u>
Revenues	\$7264.15	\$9082.70	\$12018.09	\$16182.78	\$18262.77
Maintenance and Operating Expenses	2801.54	3525.36	5209.09	7579.62	9090.28*
Differences	\$4462.61	\$5557.34	\$6809.00	\$8603.16	\$9172.49

* Corrected for an item of \$250.25 for rent, which the evidence shows had been omitted.

The above differences are the sums which apparently have been available to the utility to meet its charges for depreciation and interest on the investment in the plant.

The evidence shows that since 1918 there has been a rapid growth in this community, which has been reflected in increased revenues during the past years. In 1918 there were 288 active consumers, of whom 50 were metered, and in 1923 this total had increased to 667, with 435 metered. It is further noted that the additions and betterments made necessary to meet this growth were largely installed between 1920 and 1922.

The revenues for the year 1922 were \$18,262, which after deduction for the maintenance and operation expenses and the depreciation annuity as set out above, leaves the sum of \$7,896 available for interest return. This is equivalent to a return of 7.98 per cent. on the rate base \$98,900 heretofore found to be reasonable.

From a careful analysis of the details of the maintenance and operation expenses incurred in 1922, with proper allowance for certain extraordinary expenses which will not recur annually, it

appears that the allowance for future maintenance and operation expenses under normal conditions should not reasonably exceed those for 1922.

After careful consideration of all the evidence submitted, it appears that the rates at present in effect may reasonably be expected to produce sufficient revenue to meet the necessary annual charges of the system, including a fair interest return on the investment. It is therefore evident that Application No. 9308 should be denied.

O R D E R

Frank P. Cady and Rilla E. Cady, operating under the name and style of Susanville Water Works, having made applications, as above entitled, for permission to increase rates and to establish a boundary beyond which water service will not be required, a public hearing having been held thereon, the applications having been consolidated for hearing and decision, and the Commission being now fully informed in the matter,

It Is Hereby Found as a Fact that the rates now charged by Frank P. Cady and Rilla E. Cady, operating under the name and style of Susanville Water Works, for water delivered to consumers, in and in the vicinity of Susanville, are just and reasonable rates for such service, and that the best interests of both the applicants herein and their consumers do not require the establishment of boundaries limiting the area in which applicants herein are obligated to supply water service.

Basing the order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that the above entitled applications be and the same are hereby denied.

Dated at San Francisco, California, this 13th day
of November, 1923.

Chas. E. Brown

H. B. Brundage

I. Irving Martin

J. T. Whittsey

Commissioners