

Decision No. 13814.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of the  
ANDERSON WATER COMPANY,  
a corporation, for an order of the Rail-  
road Commission of the State of California  
authorizing applicant to increase its  
rates and charges for water service. )  
Application No. 10047

T. W. H. Shanahan for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Anderson Water Company, a corporation, engaged in the business of supplying water for domestic purposes in and in the vicinity of the unincorporated town of Anderson, Shasta County, asks authority to increase its rates.

The application alleges that the Commission in Decision No. 7135, dated February 15, 1920, established the rates now in effect; that since that date maintenance and operation costs have increased to such an extent that applicant is operating at a loss; that revenues formerly derived from street and lawn sprinkling have been materially reduced; and that the present revenue is not sufficient to yield maintenance and operating expenses, a depreciation fund, and a reasonable return on the investment.

A public hearing in this proceeding was held at Anderson before Examiner Satterwhite, after all consumers had

been duly notified and given an opportunity to appear and be heard.

The rates at present in effect as established by this Commission in Decision No. 7135, dated February 13, 1920, are as follows:

METER RATES

Minimum Monthly Payments

5/8 inch meter . . . . .	\$1.40
1 " " . . . . .	2.50
1 1/2 " " . . . . .	3.00
2 " " . . . . .	3.50

Quantity Rates

For use between 0 and 400 cu.ft., per 100 cu.ft.	\$ .35
" " " 400 and 2400 " " " "	.20
" " over 2400 " " " "	.15

MONTHLY FLAT RATES

Minimum . . . . . \$1.60

(Additional charges are made depending on facilities and classification of premises.)

Fire Protection

For each hydrant especially installed for fire protection or for individual use of persons, firms or corporations for fire protection purposes exclusively:

Each 2 inch connection per month . . . . .	\$1.50
Each 2 1/2 " " " " . . . . .	2.00

The system consists of a well 300 feet deep from which water is elevated by two electrically driven pumps to a concrete lined reservoir, from which it is conveyed throughout one and one half miles of six inch transmission mains to the town and finally distributed to the consumers through about 30,000 feet of mains varying in size from four inches to three fourths inch in diameter. There are about 165 consumers, of whom forty-seven are metered, the remaining consumers being charged in accordance with the facilities installed and the classification of the premises.

At the hearing F. A. Cody, manager for the company, testified that the increased costs of labor, material and power, and the reduction in revenue brought about by consumers obtaining water for the sprinkling of lawns and gardens from the Anderson-Cottonwood Irrigation District's canal, have resulted in a deficit, and the company's annual reports as filed with the Commission were referred to for the results of several years' operations. He requested that the minimum flat and minimum meter rates be made identical, and suggested that these minimum rates be increased to at least \$2.00 per month.

James F. Bedford, a merchant of Anderson and a former stockholder of the company, testified that the system was constructed to serve a town larger than Anderson, and that the growth of the community had not come up to expectations. He further expressed as his opinion that, in order to retain adequate domestic water service for the town, the consumers should pay a higher rate than at present in order to make the service compensatory until such time as the growth of the community will permit a reduction in rates.

William Stava, one of the Commission's hydraulic engineers, presented a report at the hearing based on a field and office investigation of the company's system and operations. This report showed the estimated cost of the system to be \$27,182, with a reasonable depreciation annuity computed by the six per cent. sinking fund method of \$314, and recommended the sum of \$3,400 as a proper allowance for maintenance and operating expenses. The revenues for 1923 were \$4,231, which after deducting depreciation and operating expenses leaves a net revenue of \$517, and is equivalent to a 1.9 per cent. return on the estimated cost of the system.

The testimony shows that the system is overbuilt, so that the consumers cannot be reasonably charged with the total investment. However, it was also shown that the system was installed

in the eighties and that a large portion of the pipe system will need extensive replacement at an early date, and that it will be difficult to finance the required replacements unless the system shows larger earnings. It was shown that the rates in effect were about the maximum rates for service rendered from similarly operated utilities. However, the fact that the community faces the possibility of being deprived of a domestic water supply through the failure to replace the present depreciated pipe indicates that some increase in rates should be granted to provide additional earnings and make the financing of replacements possible. On the other hand, the company is directed to institute all economies possible in order to permit the financing of pipe replacements when they are required, so that sufficient and adequate service can be rendered its consumers.

Attention is called to the fact that the unincorporated Town of Anderson is included in the Anderson-Cottonwood Irrigation District and that many of the consumers of Anderson Water Company have constructed facilities for conducting water from the district canals to their premises for the purpose of watering lawns and gardens. Such water as is taken from the utility's system is thereby reduced to the minimum amount required for household use and the revenues of the utility are correspondingly reduced.

In view of all the conditions confronting the applicant herein it is evident that any appreciable increase in its revenues can be secured only by the establishment of what is regarded ordinarily as a high minimum monthly charge.

The rates set out in the following order are designed to produce sufficient revenue to cover maintenance and operation expenses, depreciation annuity, and a reasonable return on that portion of the investment which is properly chargeable to the present consumers.

O R D E R

Anderson Water Company, a corporation, having made application for authority to increase the rates for water delivered to consumers at Anderson, Shasta County, a public hearing having been held thereon, the matter having been submitted, and the Commission being now fully informed in the matter,

It Is Hereby Found as a Fact that the rates now charged by Anderson Water Company for water delivered to consumers at Anderson, Shasta County, are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such 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 Anderson Water Company be and it is hereby directed to file with this Commission within ten (10) days from the date of this order, the following schedule of rates for all water delivered to consumers in Anderson, Shasta County, subsequent to August 1, 1924.

MONTHLY FLAT RATES

1. Residences of six rooms or less. . . . \$1.75  
For each additional room . . . . . .10  
Additional for each flush toilet or bath  
tub. . . . . .25  
For each private garage where automob-  
iles are washed on the premises . . . . .25  
For each private barn - not more than  
two horses or cows . . . . .30  
For each additional horse or cow . . . . .15
2. Irrigation of gardens and grounds, per  
100 square feet. . . . . .06
3. For small stores or shops. . . . .1.00 to 2.00
4. For large stores or shops. . . . .2.00 to 5.00  
Additional for each bath tub, flush  
toilet or urinal in items 3 and 4. . . . .50
5. Water for all purposes or establishments  
not specified in the above schedule  
will be charged for at meter rates.

MEASURED RATES

Minimum Monthly Charges

5/8 inch meter	.....	\$1.75
3/4 " " "	.....	2.75
1 " " "	.....	4.00
1 1/2 " " "	.....	9.50
2 " " "	.....	15.00

Each of the foregoing "monthly minimum charges" will entitle the consumer to the quantity of water which that minimum will purchase at the "monthly meter rates" set out as follows:

Monthly Meter Rates

From 0 to 500 cubic feet per 100 cu.ft.	.....	\$0.35
From 500 to 2500 " " " " "	.....	.25
Over 2500 " " " " "	.....	.15

IT IS HEREBY FURTHER ORDERED that Anderson Water Company be and it is hereby directed to file with this Commission within thirty (30) days of the date of this order, rules and regulations to govern relations with its consumers, such rules and regulations to become effective upon their acceptance by the Commission.

The effective date of this order is hereby fixed as August 1, 1924.

Dated at San Francisco, California, this 18<sup>th</sup> day of July, 1924.

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*Harry R. ...*  
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*Dwight Martin*  
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*J. T. Whittney*  
Commissioners.  
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