

Decision No. 13963.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
RUSSIAN RIVER WATER COMPANY)
for authority to amend meter rates) Application No. 9925.
as they apply to use in excess of)
quantity allowed under minimum an-)
nual charge.)

- A. F. Lemberger, for applicant.
- G. C. Faulkner, for Rio Nido Improvement Association.
- Cecil Raymond, for Villa Grande Improvement Association.
- L. E. Kingsley, for Monte Rio Volunteer Fire Department
and Improvement Association.
- E. Johnson, for Guerneville Improvement Association.

BY THE COMMISSION:

O P I N I O N

Russian River Water Company is a public utility corporation supplying water to consumers located in the territory extending from Rio Nido to Monte Rio along the Russian River.

In this application the company alleges in effect that the revenues received from the sale of water during the past three years have been sufficient to yield a return upon the investment in the property of only 3.2 per cent. in 1921; 2.1 per cent. in 1922; and 4.2 per cent. in 1923. The Commission is therefore asked to authorize the establishment of a rate for metered service of thirty cents per 100 cubic feet for all water used in excess of the initial amount allowed under the minimum monthly charges, or such rate as the Commission may deem reasonable.

Public hearings in this proceeding were held before Examiner Satterwhite at Guerneville after due notice thereof had been given so that all interested parties might appear and be heard.

The present meter rate schedules of this utility, which are the schedules involved in the present proceeding, are as follows:

SCHEDULE A

Meter Rates

Minimum annual charge, payable in advance, which entitles consumer to 400 cubic feet of water per month for four months	\$14.00
For use during other months, 400 cubic feet or less, per month	1.00
Next 3,600 cubic feet, per month, per 100 cubic feet.	0.20
Over 4,000 cubic feet, per 100 cubic feet.	0.15

SCHEDULE C

Meter Rates

This schedule applies to summer resorts operating hotels with cottages or tents in connection therewith, or collections of cottages and tents, and provides for minimum annual charges in varying amounts depending upon the size of meter installed on the service. Each minimum charge entitles the consumer to monthly use of water ranging from 400 to 4000 cubic feet.

For use in excess of the minimum quantity allowed the charge is 20 cents per 100 cubic feet for consumption up to 4000 cubic feet and 15 cents per 100 cubic feet for use in excess of 4000 cubic feet.

This utility has appeared before the Commission in a number of proceedings and the decisions in these matters have described the system and the methods employed in its operation

so completely that further comment is unnecessary. It should be borne in mind however that the service rendered by this utility is to a summer resort territory requiring the installation of extensive and costly facilities which are used to capacity during only a few weeks in each year. Owing to the very heavy demands made upon the system on holidays it has been necessary to install pipes, storage tanks and pumping machinery of much greater capacity than would be required for a plant which supplies the same quantity of water during the year but which is enabled to distribute the load more evenly over the twelve months. These peak demands upon the system come at a time when streams and springs furnish the least water.

Applicant claims that the investment in the plant on December 31, 1923, was \$153,941; that maintenance and operating expense during the year amounted to \$9,858; that depreciation as charged was \$3,896; and that operating revenues were \$18,549. These figures indicate that the amount available for return was \$4,795 and is equivalent to a return of 3.58 per cent. upon the investment claimed by the utility.

At the hearing John Spencer, one of the Commission's hydraulic engineers, presented a report, based upon a thorough investigation of the property and methods of operation, which showed an estimate of reasonable original cost of the used and useful property on December 31, 1923, amounting to \$124,762. Depreciation annuity, computed by the sinking fund method at 6 per cent., was shown to be \$1,800. and an estimate of reasonable maintenance and operation expense for the immediate future was given as \$9,078. This report was not questioned at the hearing by either the utility or the consumers. Based upon operating revenues of \$18,549 for the year 1923 the foregoing figures

indicate a return of 6.15 per cent. upon an investment of \$124,762.

In a brief filed by applicant it was contended that the allowances for maintenance and operation expense and depreciation annuity as recommended by the Commission's engineer were too low and should be increased if the utility is to continue to render adequate service. It was claimed that the life of many of the facilities is limited and that the increasing demands upon the system are such as to require the enlargement and replacement of these facilities before they have been worn out in the service of the public. It was also claimed that the allowance for pumping expense would not be sufficient to provide for costs which will be incurred in 1924 and future years. The amount assigned for taxes, legal expense and insurance was also questioned. Additions to capital from January 1 to July 15, 1924, were claimed to have cost \$14,000. Applicant also contends that its operating expense is increasing much faster than its revenues.

A brief filed on behalf of Rio Hido Improvement Club and consumers at Russian River Heights and Guerneville asserts that the business and revenues of the utility are increasing rapidly and that the increase in rates desired by the utility, if granted, would result in a return greatly in excess of 10 per cent. upon the reasonable investment in the property.

Careful consideration has been given to all material facts relating to this utility's investment, to the conditions under which it operates and furnishes the water supply to consumers, and to the probable increases in both expenses and revenues, and the conclusion has been reached that some increase in the rate for water used in excess of the amounts used under

the minimum charges is justified in order that the cost of producing and delivering the supply may be more equitably distributed among the consumers.

The rates set out in the accompanying order will provide that the minimum charges for four months' and twelve months' service shall remain unchanged but that the rates for service rendered in excess of the amounts of water allowed each month under these minimum charges shall be increased.

O R D E R

Russian River Water Company, a corporation, having made application for an increase in rates for service rendered to consumers, public hearings having been held thereon, briefs having been filed, 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 Russian River Water Company, a corporation, for water delivered to consumers, 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 Russian River Water Company, a corporation, be and the same is hereby authorized to file with this Commission, on or before August 30, 1924, the following changes in its rate schedule, effective for all water delivered to consumers subsequent to August 31, 1924:

SCHEDULE A - METER RATES

For all water use in excess of 400 cubic feet
per month, per 100 cubic feet \$0.25

SCHEDULE C - RESORT RATES

For all water use per month in excess of the
quantities allowed for the minimum charges
established for various sizes of meters
and up to 5,000 cubic feet per month, per
100 cubic feet. \$0.25
Over 5,000 cubic feet, per 100 cubic feet . 0.20

The effective date of this order is hereby fixed as
August 30, 1924.

Dated at San Francisco, California, this 25th day
of August, 1924.

C. Shaver

H. W. Anderson

Irving Martin

Egerton Shore

J. W. Whitney
Commissioners.