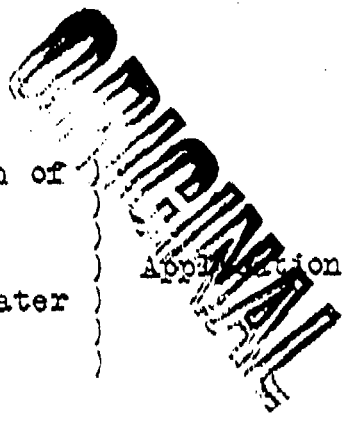


Decision No. 14215

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
HORACE NELSON
as owner of the Half Moon Bay Water
Company, for raise in rates.

Application No. 10417.



J. E. McCurdy, for applicant.

WHITTLESEY, Commissioner:

O P I N I O N

Horace Nelson, owning and operating an unincorporated public utility water system known as the Half Moon Bay Water Company, supplying water for domestic purposes in and in the vicinity of the unincorporated town of Half Moon Bay, San Mateo County, asks authority to increase the rates.

The application alleges in effect that the present rates do not produce sufficient revenue to yield an adequate return on the investment.

A public hearing in this proceeding was held at Half Moon Bay, after all consumers had been duly notified and given an opportunity to appear and be heard.

The rates at present in effect are as follows:

FLAT RATES

Families	\$1.00	per	month.
Garages.	1.00	"	"
Livery stables	2.50	"	"
Saloons.	1.00	"	"

Hotels	\$6.00	per month.
Lodges	1.00	" "
Schools.	2.00	" "

METER RATES

Water used by County of San Mateo \$0.20 per 1000 cu.ft.

Other Metered Use

First 400 cubic feet or less per month	\$1.00
All over 400 cubic feet, per 100 cubic feet per month20
Minimum monthly payment.	1.00

The testimony shows that in addition to the foregoing meter rates as filed with the Commission, one of the consumers of the utility using large quantities of water has been given a special rate of 12 cents per hundred cubic feet.

Water is obtained by diversion from Diggs Creek and by pumping from wells. In years of normal rainfall the stream flow is sufficient to supply the demands of the system for eight or nine months of the year, after which it is necessary to supplement the stream flow by pumping from wells. During the present summer the creek supply failed entirely, and it was necessary to drill two additional wells, also to purchase water from outside sources to meet the requirements of consumers.

The water secured from the creek and wells is conveyed to a covered concrete reservoir having a capacity of about 600,000 gallons, and then through about 10,000 feet of six inch transmission main to the town of Half Moon Bay. The water is then distributed through about 14,500 feet of mains varying from six to one inch in diameter, to about 175 consumers, about one half of whom are metered. Meters are being installed on the remaining services as rapidly as applicant's finances permit.

At the hearing Mr. Nelson testified that no return was being earned on the investment in the water system and referred to the annual reports filed with the Commission for the amount of the investment and for details of maintenance and operation expenses and operating revenues. He requested the Commission to

establish whatever rate was deemed proper, and asked for a return on only the actual investment in the water system.

William Stava, one of the Commission's hydraulic engineers, presented a report based upon an investigation of applicant's plant and operations. This report showed an estimated original cost of the system of \$30,705, with a depreciation annuity, computed by the five per cent. sinking fund method, of \$737. The sum of \$2,500 was recommended as a proper allowance for future maintenance and operating expenses. The foregoing estimate of original cost does not include the sum of \$12,746 which is the estimated cost of the pipe system installed in the Arleta Park subdivision, adjoining the town of Half Moon Bay. This tract has about twelve consumers who can be served by extensions from the town system, and the cost of the entire distribution system could not fairly be charged against the consumers in Half Moon Bay. The report further showed that applicant's actual investment in the property is \$18,722. Applicant's revenues for 1923 were \$2,940, and it was estimated that the 1924 revenues would amount to \$3,200. The total of the depreciation annuity and estimated future operating expenses is \$3,237, which is \$57 greater than the estimated revenue for 1924, and provides no return whatever upon the investment. It is evident that applicant is entitled to an increase in rates.

A representative of a local canning company protested against raising the wholesale rate of water, alleging that the present rate of twelve cents per 100 cubic feet was all that his company could afford to pay. An inspection of rates for comparable service on similarly operated water utilities, and of the rates established for the service to the other consumers on the water system, indicates that an increase in the wholesale rate is justified.

The evidence also shows that a fire district has been formed which includes the town of Half Moon Bay, and that fire

hydrants and mains of larger diameter than required for domestic purposes have been installed at the request of the district, which has agreed to pay the cost of the installation of hydrants and a monthly rental of 75 cents each. There are now nine fire hydrants of the wharf type installed, and it is proposed to make additional installations in the immediate future. This rate will be included in the schedule established in the following order.

The rates set out in the following order are designed to yield sufficient revenue to cover maintenance and operation expense, depreciation annuity, and a reasonable return on the capital invested in the property devoted to the public use.

The following form of order is recommended:

O R D E R

Horace Nelson, owner and operator of a water system known as the Half Moon Bay Water Company, having made application for authority to increase the rates for water delivered to consumers in Half Moon Bay, San Mateo County, a public hearing having been held thereon, the matter having been submitted, and the Commission being now fully informed in the premises,

It Is Hereby Found as a Fact that the rates now charged by Horace Nelson for water delivered to consumers at Half Moon Bay, San Mateo 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 Horace Nelson be and he is hereby directed to file with this Commission on or before October 31, 1924, the following schedule of rates to be charged for all

water delivered to consumers in Half Moon Bay, San Mateo County, subsequent to that date:

MONTHLY FLAT RATES

Minimum Monthly Charge. \$1.50

Total bills to be computed in accordance with the following items:

1. Residence of four rooms or less. \$1.25
 - Additional for each room over four10
 - Additional for each flush toilet or bath tub25
 - Additional for each private garage25
 - Additional for each private barn with not more than two horses or cows.30
 - Additional for each horse or cow over two.15
2. Irrigation of gardens or grounds, per 100 sq.ft. .02
3. For small stores and shops 1.50 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	\$1.50
3/4 " "	2.00
1 " "	3.00
1 1/2 " "	6.00
2 " "	9.00
3 " "	18.00

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 cubic feet. .	\$0.30
From 500 to 2000 " " " 100 " "	.25
From 2000 to 5000 " " " 100 " "	.20
Over 5000 " " " 100 " "	.15

MONTHLY CHARGES FOR FIRE HYDRANTS

Fire hydrants owned by fire district \$0.75
 Fire hydrants owned by the company 1.50

IT IS HEREBY FURTHER ORDERED that Horace Nelson be and he 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 consumers, such rules and regulations to become effective upon their acceptance by the Commission.

The effective date of this order is hereby fixed as October 31, 1924.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of October, 1924.

C. Seaney

H. B. Brundage

Dwight Martin

Egerton Shaw

J. L. Whittling
Commissioners.