

Decision No. 14216

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
ISALAH HARTMAN,)
a public utility operating under the) Application No. 10439.
name of LORENZO WATER COMPANY, for)
an increase in its water rates.)

ORIGINAL

Isalah Hartman, for applicant.

WHITTLESEY, Commissioner:

O P I N I O N

Isalah Hartman, who owns and operates under the name and style of Lorenzo Water Company, a public utility water system which supplies domestic service to the inhabitants of a portion of the unincorporated town of Boulder Creek, Santa Cruz County, makes application for an increase in rates.

The application alleges in effect that the present rates charged for water service do not produce sufficient revenue to cover the necessary maintenance and operation expenses of the system, together with a reasonable return upon the investment. The Commission is therefore asked for an order permitting the utility to establish a rate schedule similar to that at present in effect in the territory served by the Santa Cruz County Utilities, which supplies water to consumers located in an area immediately adjacent.

A public hearing in this proceeding was held at Boulder Creek on September 25, 1924, after all interested parties had been duly notified and given an opportunity to be present and be heard.

This water system was originally constructed about 1890 by Joseph W. Perry to provide water service for the town of Lorenzo, which is now a portion of the town of Boulder Creek. The present owner, Isaiah Hartman, acquired the property February 4, 1914, under foreclosure proceedings which were instituted following the decease of the former owner.

The water supply is derived by the diversion of the natural flow of Perry and Molasky Creeks, two small perennial streams in which the low flow during the summer months is maintained by springs. The water is diverted from these creeks by small dams through short lengths of flume to several small storage tanks, and from thence is conveyed by gravity through a distribution system which consists largely of 2 inch standard screw pipe mains.

The rates at present in effect were established by this Commission in Decision No. 2979, dated December 17, 1915, in Application No. 1916, and are as follows:

MONTHLY RATES

Unmetered Service

Per month, flat rate \$1.25

Metered Service

For the first 500 cubic feet, per 100 cu.ft. . .	\$.20
From 500 to 3000 " " " 100 " . .	.15
Over 3000 " " " 100 " . .	.10
Minimum charge, per month.	1.25

Street Sprinkling, per year \$30.00

An investigation of this water system for the purpose of this proceeding was made by E. A. Noble, one of the Commission's hydraulic engineers, and his report and appraisal, compiled from available records and data, was submitted in evidence and accepted by the applicant without protest. This report shows an estimated

cost of the system amounting to \$6,235, together with a depreciation annuity computed by the 5 per cent. sinking fund method, of \$101. There was submitted with the application a valuation of the water system amounting to \$11,464, but it was admitted at the hearing that this total included the purported value of 361 acres of land of which only about 50 acres might reasonably be considered as used and useful for the protection and maintenance of the sources of water supply as at present developed. After a consideration of the evidence submitted it appears that \$25 per acre is a reasonable estimate of the cost of these 50 acres, including the right to divert water, and that the sum of \$5,985 represents a reasonable estimate of the cost of the property of this utility devoted to the public use.

It is apparent that applicant's statements of maintenance and operation expense as shown in the annual reports to the Commission and in the application herein, are not complete and are very largely estimates which are not based upon careful records of expenditures. Upon careful consideration and analysis of the evidence submitted, after due allowance is made for methods of operation which will provide proper and efficient service, it appears that \$700 per annum is a reasonable allowance for future maintenance and operation expense.

Based upon the foregoing figures the results of operation of this water system for the year 1923 were as follows:

<u>Revenues</u>	\$1,000
<u>Expenses:</u>	
Maintenance and Operation	\$700
Depreciation Annuity. . .	<u>101</u>
Total Expenses.	<u>801</u>
Available for Return	\$199

This is equivalent to a return of 3.3 per cent. upon an investment

of \$5,985.

For the past two years the average number of consumers has been slightly less than 70, and it is improbable that any material increase in the business of the utility can be expected. In 1922 meters were installed on 8 services, and in order to conserve water during the extreme shortage prevalent during the present year 16 meters were installed, and in addition it became necessary to purchase some water from the system of the Santa Cruz County Utilities. A special rate has been charged for water service supplied to the public school property through a privately owned tank and a 2 inch main from Perry Creek. This rate is in accordance with an agreement made with the School Trustees in 1909, and for many years charges were made at the rate of \$15 per annum, which recently was increased to \$30 subsequent to the addition of a modern high school building and gymnasium on the property. It appears from the evidence that the quantity of water delivered to the school property at the present time is much greater than was originally contemplated when the agreement was entered into, and it is evident that the rate charged should be increased to an amount which will compensate the applicant more equitably for the service rendered.

Testimony submitted at the hearing indicates that for years past the service rendered to consumers during the summer months when stream flow is small, has been somewhat inadequate. It was also shown that the service rendered through a one inch pipe line fed from Molasky Creek and supplying some of his consumers at its lower end, has been insufficient. It appears from the evidence that this condition obtains largely by reason of inefficient diversion structures which permit a considerable leakage and waste of water, together with inadequate pipe capacity in portions of the system, and the fact that the distribution pipe system is largely non-circulating. Applicant should at once make

the necessary investigations to determine what improvements are required to relieve the situation described above, and should thereafter make such installations and repairs as will provide the proper and adequate water service to which the consumers are entitled.

The rate schedule established in the following order is designed to produce sufficient revenue to provide for maintenance and operation expense, depreciation annuity, and reasonable return upon the investment in the property devoted to the public use, and has been computed after a careful consideration of the character of the service rendered and the fact that a portion of the consumers are summer residents only.

O R D E R

Isaiah Hartman, who operates a public utility water system under the name and style of Lorenzo Water Company, having made application to this Commission for authority to increase rates, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

It Is Hereby Found as a Fact that the rates now charged by Isaiah Hartman for water delivered to consumers in the town of Boulder Creek, Santa Cruz 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 to be charged for such service.

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

IT IS HEREBY ORDERED that Isaiah Hartman, operating under

the name and style of Lorenzo Water Company, be and he is hereby authorized to file with this Commission on or before October 31, 1924, the following schedule of rates, to be charged for all service rendered subsequent to that date:

FLAT RATE SERVICE

- For the first four consecutive months in which service is rendered during any calendar year, payable in advance. \$8.00
(Service may be commenced at any time during the calendar year at this rate.)
- For each additional month over four. 1.50
- Flat rate consumers may if they so desire secure service during the entire calendar year by a payment in advance of 18.00

MEASURED RATE SERVICE

- For the first four consecutive months in which service is rendered during any calendar year, payable in advance, for water use not exceeding 500 cubic feet per month. . . . \$6.00
(Service may be commenced at any time during the calendar year at this rate.)
- For each additional month over four, for water use not exceeding 500 cubic feet per month. . . 1.50
- Measured rate consumers may if they so desire secure service during the entire calendar year, for water use not exceeding 500 cubic feet per month, on payment in advance of. . . 16.00
- For water use in excess of 500 cubic feet per month consumers shall be billed for such excess use as follows:
- For use from 500 to 10,000 cubic feet at the rate of \$0.25 per 100 cubic feet.
 - For use over 10,000 cubic feet at the rate of \$0.20 per 100 cubic feet.

PUBLIC USE CHARGES

- For combined use of the High School, Grammar School and gymnasium, per calendar year, payable in advance. \$125.00
- Service to the High School, Grammar School and gymnasium may at the request of the Board of School Trustees or the option of the utility be placed upon a measured basis, in which case the foregoing meter rates will apply.

IT IS HEREBY FURTHER ORDERED that the collection of the rates set out in this order is expressly conditioned upon the installation by Isaiah Hartman of such improvements, repairs or alterations in and to his water system as are required to render adequate service to all consumers.

IT IS HEREBY FURTHER ORDERED that Isaiah Hartman 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 his consumers, such rules and regulations to become effective upon their acceptance by the Commission.

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.

O. C. Leary

H. B. Bunting

Iving Martin

Egerton Shaw

J. H. Whitley
Commissioners.