

Decision No. 14262.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of the
FELTON 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. 10454.

F. Emerson Hear, for applicant.

Dr. J. F. Farmer, for the consumers.

WHITTLESEY, Commissioner:

O P I N I O N

The Felton Water Company, a public utility corporation, engaged in the business of supplying water for domestic purposes to the inhabitants of the unincorporated town of Felton and adjacent subdivisions in Santa Cruz County, makes application as above entitled for an increase in rates.

It is alleged in effect that the present schedule of rates does not yield the revenue necessary to meet maintenance and operation expenses, depreciation annuity and a reasonable return upon the investment. The request is made for an order of the Commission authorizing the establishment of a schedule of increased rates.

A public hearing in this matter was held at Felton on September 26, 1924, after all consumers had been duly notified and given an opportunity to be present and be heard.

The Felton Water Company was incorporated about 1888,

at which time the water supply system was originally installed. The construction costs were financed by the sale of the capital stock of the company, a large portion of which was acquired by local residents. Recently a change in the management and control of the company took place, following the purchase by R. L. Young and George Fetherston of approximately 70 per cent. of the shares of stock outstanding.

The source of water supply is Bull Creek, a small perennial stream whose low summer flow is maintained by springs. At the point of diversion in the creek a small log crib dam provides a storage reservoir of approximately 80,000 gallons capacity, from which the water is delivered by gravity through a 5 inch riveted steel pipe to the distribution system. By virtue of an agreement with the Holmes Lime Company, applicant obtains a supplemental supply of water from a spring, the flow of which is conveyed through 1,500 lineal feet of pipe to the reservoir mentioned above.

The rates at present in effect are as follows:

MONTHLY FLAT RATES

Families.	\$1.00
Livery Stables.	3.00
Blacksmith Shops.	1.00
Lime Kilns.	4.00
Saloons	1.50
Hotels.	2.50
Barber Shops.	1.00
Single Persons.	0.50

MONTHLY METER RATES

Per 100 cubic feet.	\$0.15
Minimum monthly charge.	1.00

An investigation of the water system was made for the purpose of this proceeding by E. A. Noble, one of the Commission's hydraulic engineers, and his report thereon, containing detailed appraisal of the property, was submitted in evidence and accepted

by applicant without protest. This appraisal gives a total of \$7,848 as the estimated original cost of the properties installed as of September 1, 1924, exclusive of the distribution system serving Felton Acres. The report also showed a depreciation annuity of \$120, which was computed by the 5 per cent. sinking fund method.

The realty subdivision, Felton Acres, was recently promoted and is being marketed by Young and Fetherston, heretofore mentioned as having acquired the controlling interest in the Felton Water Company. These promoters installed at a cost of over \$4,000 a complete distribution system in the tract and a pipe main connection with applicant's system to provide the necessary water service. While the evidence did not show by what method of financing applicant will acquire ownership of this distribution system, it is apparent that the revenues which will be obtained therefrom for some time to come will be non-compensatory, and that the inclusion of this cost in the rate base allowed for the purpose of this proceeding would impose an undue burden in rates on the present consumers on the system.

The statements of the maintenance and operation expenses introduced in evidence show that the average of these expenditures for the past three calendar years was approximately \$540 per annum. After careful analysis of these expenditures, which involves a consideration of present operating methods and due provision for the expenditures necessary for the rendering of proper and efficient service, it is evident that \$700 per annum is a reasonable allowance for the maintenance and operation expense of this utility for the immediate future.

In 1923 the average number of consumers served was 58, which number has now increased to 95, due to the recent extensions of the system to serve the summer colonies located on Felton Acres

and the Brookside Tract. The revenues from water sales in 1923 totalled \$897. From the data of water use at the rates now in effect, and excluding, for the reasons stated above, the charges to 19 consumers being served in Felton Acres, it is estimated that the 1924 revenues will total approximately \$1,100.

Based upon the foregoing estimates of revenues, maintenance and operation expense, and depreciation annuity, the results of operation of this system for the year 1924 will be as follows:

Revenue for 1924 (as above estimated) . . .	\$1,100	
Maintenance and Operation Expenses	\$700	
Depreciation Annuity.	<u>121</u>	<u>821</u>
Net Revenue		\$279

A net revenue of \$279 is equivalent to a return of 3.6 per cent. upon an investment of \$7,848 as set out above, and it is apparent that applicant is entitled to an increase in rates.

The evidence shows that for a number of years past the service rendered consumers during the summer months when the stream flow is low has been somewhat inadequate, and in the summer of 1924, with the increased demand for water by reason of the extensions of the system made to serve new and additional territory, a water shortage was threatened. In this emergency 24 meters were installed to effect a conservation in the use of water. The evidence also indicates that these conditions have been due largely to leakage and waste of water through the dam and loss from deteriorated pipe mains which have reached the stage where renewals are necessary. Applicant should at once make such repairs and renewals on the system as will eliminate unnecessary waste of the available water supply so that proper and adequate service may be rendered to consumers.

After careful consideration of all the factors set out herein and a study and analysis of the present water use, the rate schedule established in the accompanying order has been computed and designed to yield a reasonable return upon the cost of the property devoted to the public use.

The following form of order is submitted:

O R D E R

Felton Water Company, a corporation, 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 Felton Water Company for water delivered to consumers in the town of Felton, Santa Cruz County, and adjacent territory, 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 Felton Water Company be and it is hereby authorized to file with this Commission on or before November 29, 1924, the following schedule of rates, to be charged for all service rendered on and subsequent to December 1, 1924.

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. 1.25

Flat rate consumers may if they so desire secure service during the entire calendar year by a payment in advance of \$16.00

For Lime Kilns per month 7.00

All other service, including hotels and other large users of water, to be at metered rates.

MEASURED RATE SERVICE

For the first four consecutive month in which service is rendered during any calendar year, payable in advance, and 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 1.25

Measured rate consumers may if they so desire secure service during the entire year, for water use not exceeding 500 cubic feet per month, on payment in advance of 14.00

For water use in excess of 500 cubic feet per month consumers shall be billed for such excess use at the following rates:

From 500 to 5,000 cubic feet, per 100 cu.ft.	0.20
Over 5,000 cubic feet, per 100 cu.ft.	0.15

IT IS HEREBY FURTHER ORDERED that the collection of the rates set out in this order is expressly conditioned upon the rendering by Felton Water Company, a corporation, of adequate service to consumers.

IT IS HEREBY FURTHER ORDERED that Felton Water Company, a corporation, be and the same 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

November 29, 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 17th day of November, 1924.

W. S. Lacey

H. B. Bridgell

Irving Martin

Commissioners.