

Decision No. 15338.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the
HIGHLAND DOMESTIC WATER COMPANY,
a corporation, for authority to increase
its water rates.)
Application No. 11126.)

William Guthrie, for applicant.

BY THE COMMISSION:

O P I N I O N

This is an application for authority to increase water rates filed by the Highland Domestic Water Company, a corporation, which operates a public utility water system supplying water for domestic purposes in and in the vicinity of the unincorporated town of Highland, San Bernardino County.

The application alleges in effect that the present rates do not produce sufficient revenue to yield an adequate return upon the investment, and that some of the rates for water service are higher than the reasonable value of the service rendered. Applicant proposes a rate schedule providing a higher monthly minimum charge per consumer, but a lower quantity rate, as follows:

MONTHLY METER RATES

First 500 cubic feet, per 100 cubic feet. . . .	\$0.30
Next 1000 " " " " " " . . . . .	.12 $\frac{1}{2}$
All in excess of 1500 cubic feet, per 100 cu.ft.	.10

MINIMUM MONTHLY CHARGES

For each	5/8	inch meter.						\$1.75
"	"	3/4	"	"				2.00
"	"	1	"	"				2.25
"	"	1 1/2	"	"				3.00
"	"	2	"	"				5.00

MONTHLY FLAT RATES

The same as now established.

A public hearing in this proceeding was held at Highland before Examiner Williams, after all interested parties had been notified and given an opportunity to appear and be heard.

This company was organized in 1898 for the purpose of supplying water in and in the vicinity of Highland, San Bernardino County. Water is obtained from deep wells and is pumped into a concrete reservoir of 385,000 gallons capacity, from which it flows by gravity through approximately 66,400 lineal feet of distribution main varying from eight inches to one inch in diameter. About 330 consumers are served by this system at the present time. All services are metered.

The schedule of rates now in effect was established by this Commission as a result of Applications 4888 and 6732 in Decision No. 9777, rendered November 18, 1921, and is in part as follows:

MONTHLY METER RATES

First 2000 cubic feet, per 100 cubic feet.	\$0.30
Next 3000 " " " " " "	.25
Next 5000 " " " " " "	.20
All in excess of 10000 cubic feet, per 100 cu.ft.	.15

MONTHLY MINIMUM CHARGES

5/8 inch meter	\$1.25
3/4 " "	1.50
1 " "	1.75
1 1/2 " "	2.50
2 " "	4.00

In addition to the foregoing meter rates, the applicant has a schedule of flat rates based upon a charge of \$1.50 per month for residences with additional charges for toilets, bath tubs, etc., and also a charge for fire protection service in certain districts of twenty-five cents per month.

Applicant submitted a statement at the hearing setting forth the estimated historical cost of the properties of this company as of January 1, 1925, as \$64,562. This amount included \$14,048 as the value claimed for certain water rights, which consist only of the right to pump water from the wells owned by the company. No evidence was submitted which would indicate that the company possessed any greater rights to appropriate underground water than those enjoyed by or inhering to the owners of adjacent water-bearing lands, or to the effect that this company has acquired any rights by prescription or otherwise which would entitle it to pump any more than the usual and reasonable amount of water ordinarily developed from wells in that vicinity, the value of which has already been included in the appraisalment of the water-bearing lands owned by the company. It is apparent therefore that applicant has not established any rights to additional value for underground waters other than those included in the value of its lands.

Applicant testified that the operating expenses for the years 1923 and 1924 were \$5,095 and \$6,130 respectively, both of which included depreciation, and that the revenues for the year 1923 were \$7,711 and for 1924, \$8,915.

M. I. Reed, one of the Commission's engineers, submitted a report in which the estimated original cost of the used and useful physical properties of applicant's system was found to be \$53,015 as of January 1, 1925, and the corresponding depreciation annuity given as \$682, computed by the 5% sinking fund method. In

this report the revenues for the past three years were found to be as follows: 1922, \$7,553; 1923, \$7,711; and 1924, \$8,645. The evidence shows that the difference in the revenues for the year 1924 as submitted by applicant and the above report lies in certain deductions made by the Commission's engineers for non-operating revenues. This report also contained an analysis of the operating expenses of this company in which it was shown that in its books applicant had entered certain charges to costs of operation which were more properly chargeable to capital or accounts other than maintenance and operation. The revised figures given in the above analysis show that the operating and maintenance expenses for the year 1923 were \$4,586, and \$4,723 for 1924. As a result of this analysis of the costs of operation of this system the Commission's engineer estimated that the reasonable annual maintenance and operation expenses of this utility for the immediate future would very closely approximate \$4,750.

Applicant has now under construction certain improvements to its system consisting of a new well and pumping plant and extension of its distribution facilities. Part of these improvements have already been completed. The total cost of this new construction according to the evidence will not be less than twelve thousand dollars, which amount has not been included in the above estimates of the cost of the system to January 1, 1925.

The results of operation for the year 1924 based upon the revised figures for revenues and operating expenses as set out above, reflect a net operating revenue of \$3,240, which is equivalent to a return of 6.1% on an investment of \$53,015 or a return of slightly less than 5% on \$65,015, which includes the estimated cost of the improvements to plant which are now under construction.

Applicant testified that it did not desire at this time

to obtain a rate which would provide full return upon the company's investment but that it did desire to furnish water at a lower rate so that the use of water in greater volume would be encouraged. It was maintained that the present rate schedule is unsatisfactory, particularly in regard to the monthly minimum meter charge of \$1.25, and that the quantity rates for the use of the water are so high that the consumer must pay an amount which is more than the reasonable value of the service, the effect of which is to seriously restrict the use of water for lawn and garden irrigation.

A study of the effect of the rates proposed by applicant indicates that the water charges of the small consumer would be considerably increased and the large consumers would obtain a reduction in water charges, which in this instance would result in a spread of the rate schedule unsatisfactory for the types of service existing on this system. Analysis of the water use and operating conditions on this system leads to the conclusion that the placing in effect of the rate schedule as proposed by applicant will in actual practice result in a very substantial reduction in the total revenues. However it is apparent that an adjustment of the rates of this utility can be made at this time which will more equitably distribute charges for water in accordance with the quantity used and will not be a burden to the user of small quantities of water, while at the same time will in so far as is fair and reasonable encourage to some extent the greater use of water. Such a schedule of rates will be established in the following order.

ORDER

Highland Domestic Water Company, a corporation, operating a public utility water system in and in the vicinity of Highland, San Bernardino County, having made application for authority

to increase its rates for water delivered to consumers, 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 Highland Domestic Water Company, a corporation, for water delivered to consumers in and in the vicinity of Highland, San Bernardino 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 Highland Domestic Water Company, a corporation, be and it is hereby directed to file with this Commission on or before August 31, 1925, the following schedule of rates to be charged for all water delivered to consumers in and in the vicinity of Highland, San Bernardino County, subsequent to that date.

METER RATES

Monthly Meter Quantity Rates

From 0 to 500 cubic feet, per 100 cu.ft.	\$0.30
From 500 to 2000 " " " " "	.20
From 2000 to 3500 " " " " "	.15
All in excess of 3500 cu.ft., " " " "	.10

Monthly Minimum Meter Charges

5/8 or 3/4 inch meter.	\$1.50
1 " "	2.25
1 1/2 " "	3.00
2 " "	5.00

Each of the foregoing monthly minimum charges will entitle the consumer to the quantity of water which that minimum will purchase at the "monthly minimum meter charges" set out above.

MONTHLY FLAT RATES

For each residence of not over five rooms. . .	\$1.50
For each additional room over five . . . . .	.10
For each head of stock kept by private family. . . . .	.25
For each automobile. . . . .	.25

Each bath tub in private house	\$0.25
Each water closet in private house . . . . .	.35
Small stores and business offices.	2.00
Large stores and business offices employing four or more persons	2.50
Offices. . . . .	.75
Stores having soda water fountains, extra. . .	1.50
Dentists' offices.	1.50
Public watering troughs.	1.50
Barber shop, one chair	1.50
Each additional chair. . . . .	.75
Public bath tubs, each	3.00
Public water closets or urinals, each. . . .	1.75
Wagon and blacksmith shops, not more than two forges	2.50
Each additional forge. . . . .	.50
Lodge or meeting rooms	2.50
Restaurants, coffee houses, or saloons	4.00
Lawns of fifty square yards or less. . . . .	.25
Each additional square yard. . . . .	.005
Tents.	1.00
Water carts for street sprinkling, payable monthly, each cart per day	1.00

MONTHLY RATE FOR FIRE PROTECTION SERVICE

For each house or building connection within the fire protection district in addition to above charges per month. \$0.25

All charges payable in advance on or before the first day of each month.

IT IS HEREBY FURTHER ORDERED that Highland Domestic Water Company, a corporation, be and it is hereby directed to file with this Commission within thirty (30) days from 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.

For all other purposes, the effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 26th day of August, 1925.

[Signature]

George D. Squires

[Signature]

Leon Whitall

 Commissioners.