

Decision No. 16295-

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
COALINGA CONSOLIDATED WATER COMPANY)
for permission to increase rates.)

Application No. 11674.

Howard S. Lewis for applicant.

BY THE COMMISSION:

O P I N I O N

The Coalinga Consolidated Water Company, applicant in the above entitled proceeding, is a public utility engaged in the business of supplying water for industrial purposes to certain consumers in the oil fields located about three miles north of the city of Coalinga, in Fresno County. The application alleges in effect that the water system was installed just after oil was discovered in the district, the water being used for drilling the oil wells and later for boilers when pumping operations began during the development of the field; that the use of steam boiler equipment for drilling and pumping has been very largely replaced by electrically operated machinery and that the decline of oil production has so decreased the demand for water that the sales, which amounted to 862,125 barrels with a gross revenue of \$43,403 in 1918, were reduced to 90,839 barrels in 1924, with a corresponding revenue of \$4,630. It is further alleged that the present revenues are insufficient to meet even bare costs of operation, to meet

which the applicant has been compelled to borrow money. The Commission therefore is asked to grant the applicant an increase in rates.

A public hearing in this matter was held before Examiner Williams at Coalinga, after all interested parties had been duly notified and given an opportunity to appear and be heard. However, no consumers appeared at the hearing and no protests were filed by the consumers against the application.

This company at one time supplied water at wholesale to the Pleasant Valley Water Company, which was engaged in serving the city of Coalinga with water. However, the Pleasant Valley system was acquired by the City of Coalinga and thereafter no more water was purchased from the applicant herein for the city service. A more complete description of the applicant's system will be found in Decision No. 2063, rendered January 13, 1915 (6 C.R.C. 33), and in Decision No. 4908, rendered November 30, 1917 (14 C.R.C. 618).

The present water supply is obtained by pumping from two wells. The water is not potable or suitable for domestic purposes but is used only for industrial requirements. There are four other wells on the property, which are no longer required however for the present consumers. Water is stored in a galvanized iron tank of 1250 barrels capacity and distributed to consumers by booster pumping equipment. All pumps are electrically operated. The distribution system consists of approximately 45,000 feet of mains and for the year 1925 served an average of eight metered consumers located at widely scattered parts of the territory.

The rates now in effect on this system were fixed by this Commission on November 30, 1917, in Decision No. 4908, and are as follows:

METER RATES

Minimum Monthly Charges for water delivered through following sizes of meter:

3/4 inch.	...	\$3.00
1 "	...	3.50
1 1/2 "	...	5.00
2 "	...	6.00

For all water used. 0.05 per bbl.

Applicant asks the Commission to establish the following rate schedule or such other as may be considered proper under the circumstances:

For all water used.	10¢ per barrel.
Minimum monthly charges for water delivered through 3/4 inch meters	\$.06.00 per month.
Minimum monthly charges for water delivered through 1 inch meters	7.00 " "
Minimum monthly charges for water delivered through 1 1/2 inch meters	10.00 " "
Minimum monthly charge for water delivered through 2 inch meters	12.00 " "

C. E. Holley, Consulting Engineer for applicant, presented an inventory and appraisal of the properties of this system, which was later withdrawn, the company accepting the figures as set out in the report submitted by D. E. Harroun, one of the Commission's hydraulic engineers. This report gave the estimated original cost of all used and useful utility property as \$37,491 and the corresponding depreciation annuity \$760, computed by the 5% sinking fund method. The result of an analysis of the operating revenues and expenses for the past three years is given below:

	<u>1923</u>	<u>1924</u>	<u>Dec.1,1924, to Nov.30, 1925</u>
Operating Revenue	\$5,702.50	\$4,629.87	\$3,175.40
Operating Expense			
less Depreciation	5,507.15	6,453.43	5,510.76
Gain	\$195.35		
Deficit		\$1,823.56	\$2,335.36

Using the company's present methods of conducting operations the Commission's engineer estimated that the annual expenses

for the immediate future would closely approximate \$5,388. The revenues receivable for the year ending November 30, 1925, were \$3,175.

The history of this water system shows that during the early development of the Coalinga oil fields the water business was prosperous and flourishing. However, the decline in oil production, together with the general replacement of steam equipment by electrically operated machinery, has all but eliminated the demand for water throughout the entire area once served. Former proceedings involving this company show that in 1910 approximately 2,100,000 barrels of water were delivered for use in the oil fields, and that in 1913 the deliveries had fallen off to 854,100 barrels. The evidence in the present case shows a total delivery of 862,125 barrels in 1918 and 90,839 in 1924. Although this company served twelve consumers during December, 1924, there were but six active consumers on the system on December 31, 1925.

In view of the fact that applicant has stated that it does not desire any return upon its capital investment at this time, and the very apparent fact that business has declined to a very small per cent. of the amount which the system was originally constructed to serve, it will be unnecessary to determine a rate base for the purposes of this proceeding.

Although this water system is quite extensive, yet in view of the very few consumers now being served the Commission does not believe that the entire sum of \$1,500 per year as charged for supervision, bookkeeping and general commercial expense is a reasonable charge against the consumers. Giving this matter proper consideration and in view of the fact that none of the consumers objected in any way to the granting of an increased rate, the Commission is of the opinion that if this company is to continue to render service to its consumers it should be granted additional

revenues. This will be provided for in the following schedule of rates which should produce to applicant the reasonable costs of operation and maintenance, including an allowance for depreciation on that part of the system now used and necessary. No provision has been made for return by way of interest on the investment.

ORDER

Coalinga Consolidated Water Company having made application in the above entitled matter, a public hearing having been held thereon and the matter having been submitted,

It Is Hereby Found as a Fact that the rates now charged by the Coalinga Consolidated Water Company for water supplied to its 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 the service rendered.

And basing its order upon the foregoing finding of fact and upon the statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that the Coalinga Consolidated Water Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order the following rates for water delivered to its consumers, said rates to be charged for all water delivered subsequent to March 31, 1926:

METER RATES

Minimum Monthly Charges:

3/4 inch meters	\$4.00
1 " "	5.00
1 1/2 " "	8.00
2 " "	12.00

Each of the foregoing "minimum monthly charges" will entitle the consumer to the quantity of water which that minimum will purchase at the "monthly meter rate" set out as follows:

Monthly Meter Rate:

For all water used. . . . \$0.09 per barrel of 42 gallons.

IT IS HEREBY FURTHER ORDERED that the Coalunga Consolidated Water Company be and it is hereby directed to file with this Commission within thirty (30) days from the date of this order rules and regulations governing the service of water to its consumers, said rules and regulations to become effective upon their approval by the Railroad 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 25th day of March, 1926.

H. B. Burdige

C. L. Leary

Emm. J. Scott

Commissioners.