

Decision No. 12578

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)

PENINSULA WATER COMPANY)

for authority to increase rates for)
water service in San Mateo Park and)
in San Mateo Homestead Tract.)

Application No. 12578.

Ross & Ross, by E. C. Ross, for applicant.

J. E. McCurdy, City Attorney, for the
City of San Mateo.

BY THE COMMISSION:

O P I N I O N

The Peninsula Water Company, a corporation, applicant herein, is engaged in the public utility business of furnishing water for domestic, commercial and industrial purposes to consumers in and about the City of San Mateo, in San Mateo County. The application alleges in effect that San Mateo Park is a residential section of the City of San Mateo, and by reason of its location on higher ground than other territory served by applicant, has been supplied almost entirely by water from a different source, namely, by water purchased from the Spring Valley Water Company; that applicant acquired the water system serving San Mateo Park by purchase from Baldwin & Howell on May 31, 1924; and that applicant has at great expense installed many improvements on this system. It is further alleged that applicant has recently completed the installation of new water mains through-

out San Mateo Homestead Tract, located immediately outside of the corporate limits of the City of San Mateo; that this system is separate from the Peninsula Water Company's main service area and that it is necessary to purchase water from the said Spring Valley Water Company in order to serve this community by reason of its greater elevation; and that because applicant pays to said Spring Valley Water Company for purchased water a rate higher than the established rate which applicant is authorized to charge its own consumers, the operations of the said San Mateo Park and San Mateo Homestead Tract systems are therefore being conducted at a great financial loss. The Commission therefore is requested to fix an increased rate for this service such as will yield to applicant a fair return upon its investment over and above the costs of operation and depreciation.

Public hearings in the above entitled proceeding were held before Examiner Austin at San Mateo and in San Francisco after all interested parties had been duly notified and given an opportunity to appear and be heard.

The rates for water service now charged on the Peninsula Water Company's main system and on the San Mateo Homestead Tract were established by this Commission in 1921 by Decisions No. 9695 and No. 9773 and are as follows:

FLAT RATES

| | | |
|--|--------|------------|
| Domestic | \$1.50 | per month. |
| Large stores | 1.00 | " " |
| Small stores | .50 | " " |
| Offices. | .50 | " " |
| Each barrel of lime or cement. | .10 | " " |
| Each thousand brick. | .10 | " " |

METER RATES

Readiness-to-Serve Charge to apply to all metered services:

| | | |
|----------------------------------|--------|------------|
| 5/8 and 3/4 inch meters. | \$0.50 | per month. |
| 1 inch meters. | 1.25 | " " |
| 2 " " | 3.00 | " " |
| 3 " " | 4.50 | " " |
| 4 " " | 6.00 | " " |

Quantity Rates. to apply
to all water used:

From 0 to 3000 cubic feet, per 100 cu.ft. \$0.25 per month.
Over 3000 " " " " " 0.22 " "

FIRE HYDRANTS, owned by city, per month, each \$1.00
FIRE HYDRANTS, owned by utility, per mo. " 1.50

The quantity charge shall be in addition to the
readiness-to-serve charge.

The rates now charged for water service in San Mateo Park
are those charged by the former owners, Baldwin & Howell, and are as
follows:

Minimum monthly charge. \$1.00
For all water used per 100 cu.ft. per month 0.225
Fire Hydrants owned by utility, per month . 1.00
Fire hydrants owned by city, per month. . . .50

The Peninsula Water Company was authorized to acquire the
San Mateo Park system from the former owners, Baldwin & Howell, by
this Commission's Decision No. 13634, dated May 31, 1924. The water
mains were installed primarily to aid in the sale of subdivided real
estate, the principal business of the former owners. The acquisition
of this water system was strongly urged upon applicant herein because
of the poor service formerly rendered. Service conditions have been
vastly improved since the installation by the company in 1925 of ap-
proximately 19,492 feet of mains, which in general parallel the form-
er pipe lines laid in 1902 and 1905, and are connected to them, serv-
ice connections being taken off both the old and the new mains.

The water supply to this tract is obtained principally by
purchase from the Spring Valley Water Company, and is augmented by
water obtained from one well located within the area, delivery being
made by means of booster pump equipment. The average number of con-
sumers served on this system is 457.

A report was presented at the hearing by C. I. Rhodes, of
the Chester E. Loveland Engineers, representing applicant, in which
the original cost of the San Mateo Park water system was estimated to
be \$98,791 as of December 31, 1925; the depreciation annuity \$1,439,

computed by the sinking fund method at 5%; and the operating expenses estimated to be \$28,060 for the future.

A report was presented by D. E. Harroun, one of the Commission's hydraulic engineers, in which the original cost of the San Mateo Park system was estimated to be \$102,405 as of December 31, 1925, with a corresponding depreciation annuity of \$868, computed by the 5% sinking fund method. In this report the Commission's engineer set out that the above figures are subject to deductions of \$4,000 from capital investment by reason of duplication in pipe lines and \$8.92 from the depreciation annuity for the same reason, leaving the estimated original cost \$98,405 and the annuity \$859. The difference in this latter item is mainly attributable to the inclusion by the company's engineer of an allowance to cover depreciation of paving over mains not actually cut by the company, which we are of the opinion was properly excluded by the Commission's engineer.

No appraisalment of the properties of the San Mateo Homestead Tract was presented during these proceedings, as the interested parties generally conceded that whatever rate was established for the San Mateo Park system might be considered equally applicable to it.

An investigation of the maintenance and operating expenses of the San Mateo Park and Homestead Tracts and the main Peninsula Water Company's system was made by M. I. Reed, one of the Commission's hydraulic engineers. This investigation covered not only the operations of the systems separately but also combined as a unit. The following tabulations are taken from this report and show the results of operations for the last seven months of 1924 and for the entire year of 1925. The column entitled "Peninsula Water Company" represents the entire combined systems, the column headed "San Mateo Park" applies only to that system, while the third column entitled "Peninsula System" is the difference between the first two and therefore represents both the main

Peninsula Water Company's system as well as the Homestead Tract.

RESULTS OF OPERATION FOR 7 MONTHS OF 1924
COMMENCING JUNE 1st

| | <u>Peninsula</u> <u>Water Co.</u> | <u>San Mateo</u> <u>Park</u> | <u>Peninsula</u> <u>System</u> |
|--------------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
| Revenue | \$81,057.68 | \$11,284.57 | \$69,773.11 |
| Expense | 37,845.13 | 13,337.61 | 24,507.52 |
| Net for Return and De- preciation | \$43,212.55 | (deficit) \$2,053.04 | \$45,265.59 |
| Depreciation allowance | 2,200.00 | 500.00 | 1,700.00 |
| Net for Return | \$41,012.55 | (deficit) \$2,553.04 | \$43,565.59 |

RESULTS OF OPERATION FOR YEAR 1925

| | <u>Peninsula</u> <u>Water Co.</u> | <u>San Mateo</u> <u>Park</u> | <u>Peninsula</u> <u>System</u> |
|--------------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
| Revenue | \$83,389.17 | \$18,228.03 | \$65,161.14 |
| Expense | 46,547.30 | 22,984.00 | 23,563.30 |
| Net for Return and De- preciation | \$36,841.87 | (deficit) \$4,755.97 | \$41,597.84 |
| Depreciation allowance | 2,668.00 | 868.00 | 1,800.00 |
| Net for Return | \$34,173.87 | (deficit) \$5,623.97 | \$39,797.84 |

The above tabulations indicate that the San Mateo Park system is operating at a deficit when considered by itself. However, when this system is included as a part of the combined properties of applicant the entire system during 1925 produced net revenues amounting to \$34,174, which sum includes an operating deficit on account of the operation of the San Mateo Park system, of \$5,623.97.

Charles H. Lee, a consulting engineer specializing in underground waters, testified that the safe yield from the wells now being operated on the company's property is approximately 240,000 gallons per day, and that to continue the present practice of pumping 600,000 to 700,000 gallons a day during the summer months is likely to bring about the infiltration of salt wa-

ter and ruin the wells. On the other hand, Hyde Forbes, another consulting engineer also specializing in underground waters and testifying for the City of San Mateo, concludes that the well field underlying the corporate limits of San Mateo can be depended on to produce continuously one million gallons per day.

From the evidence presented in this proceeding the Commission is by no means convinced of the soundness of the company's contention that it is necessary, at all times throughout the year, to purchase such large quantities of water from the Spring Valley Water Company in order to properly and adequately serve the San Mateo Park and Homestead Tract systems. On the other hand it does appear that there are other means of obtaining at least a portion of the water supply for these two systems at a lesser cost than by purchase and at an expense not at all unreasonable. Had this additional supply been developed and diverted to the San Mateo Park system during the year 1925 it is doubtful whether or not there would have been an operating deficit. Computations of revenue to be derived from the San Mateo Park system by substituting the rate now in effect on the main Peninsula system show that the present annual revenue from that area would be increased some \$4,000. The record is also clear that this utility is experiencing a very healthful growth and that the revenues during the coming year even under the existing conditions will be materially increased.

It is evident that this utility will in the immediate future obtain an annual net revenue of at least \$40,000 provided the existing rates on the main Peninsula system are made effective in San Mateo Park. A net revenue of this amount is equivalent to an eight per cent. return on \$500,000, which sum is substantially the same as the rate base found by this Commission in its Decision No. 9695, dated November 4, 1921, plus

additions and betterments and the estimated original cost of properties acquired by purchase and otherwise.

The evidence further shows that the San Mateo Park system is contiguous to the main Peninsula system, is owned by the same company, operated by the same organization from one office and that the operating conditions are similar except that a larger proportion of the water is purchased from the Spring Valley Water Company for the San Mateo Park system. Under these circumstances it appears reasonable that this utility should have a uniform rate and that the rates in effect on the main Peninsula system should be made effective for the entire system.

O R D E R

Application having been made to this Commission as entitled above, 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 Peninsula Water Company, a corporation, for water supplied to its consumers in San Mateo Park 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 the service rendered.

Basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Peninsula Water Company, a corporation, be and it is hereby authorized to file with this Commission within ten (10) days from the date of this order the following rates to be charged for all service rendered in San Mateo Park on and after September 1st, 1926:

METER RATES

Readiness-to-Serve Charge, to apply
to all metered services:

| | | |
|----------------------------------|--------|------------|
| 5/8 and 3/4 inch meters. | \$0.50 | per month. |
| 1 inch meters. | 1.25 | " " |
| 2 " " | 3.00 | " " |
| 3 " " | 4.50 | " " |
| 4 " " | 6.00 | " " |

Quantity Rates, to apply
to all water used:

| | | |
|---|--------|------------|
| From 0 to 3000 cubic feet, per 100 cu.ft. | \$0.25 | per month. |
| Over 3000 " " " " " " | 0.22 | " " |

The quantity charge shall be in addition to the readiness-to-serve charge.

FIRE HYDRANTS, owned by City, per month each. . \$1.00
FIRE HYDRANTS, " " utility, " " " . . 1.50

The effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 3rd day
September of ~~August~~, 1926.

H. B. Randall
A. B.
Leon

Commissioners.