

Decision No. 17509.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

RODEO IMPROVEMENT CLUB,
Complainant,)

vs.)

RODEO WATER COMPANY,
Defendant.)

ORIGINAL

Case No. 2203.

Pierce & Carlson by Wilbur S. Pierce, for complainant.

Torney & O'Leary by T. J. O'Leary, for defendant.

WEITSELL, Commissioner:

O P I N I O N

The Rodeo Improvement Club, complainant in the above entitled proceeding, is a civic organization formed by residents and water consumers of Rodeo for the purpose of promoting the welfare of the town.

The Rodeo Water Company, owned and operated by S. J. Claeys, is an unincorporated public utility engaged in the business of furnishing water for domestic purposes to the inhabitants of the unincorporated town of Rodeo, in Contra Costa County.

Rodeo Improvement Club in its complaint alleges in effect that the water furnished the inhabitants of the town of Rodeo from its wells is unsuitable for domestic use, having considerable mineral content and sediment and possessing a brackish taste; that the defendant has often been requested to discontinue the pumping of water from its brackish well and to substitute therefor a supply of water which is available through wholesale

purchase from the Port Costa Water Company, a corporation, and for which the consumers are willing to pay an increased rate; that defendant has refused to do so because it can pump water cheaper than it can be purchased. Wherefore the Rodeo Improvement Club requests that defendant be ordered to discontinue pumping from its brackish well and obtain a substitutional supply from Port Costa Water Company; and that the Commission fix water rates which will yield for defendant a reasonable interest return on its investment in the plant, giving proper consideration to the extra cost of introducing the substitutional supply.

In its answer to above complaint the defendant enters a general denial to the essential allegations of the complainant.

Public hearings were held in this proceeding at Rodeo on April 15 and June 21, 1926, after all interested parties had been notified and given an opportunity to appear and be heard.

The evidence and testimony introduced by complainants indicated that the water furnished from the existing well source was of undesirable quality for domestic purposes, being highly mineralized, having a disagreeable brackish taste and at times being discolored and carrying a very high content of sediment. A number of witnesses testified that they have been compelled to obtain the water needed for drinking purposes and for washing clothes from springs and other sources. Defendant Claeys stated that he has had chemical analyses made of the water at intervals and that the water has never been condemned as unfit for domestic consumption, but he admitted that the water is hard and tastes of sulphur and iron. No complaint was made about the service rendered by defendant, other than as to the quality of the water.

H. A. Noble, one of the Commission's hydraulic engineers, introduced a detailed appraisal of the existing plant showing the estimated historical cost to be \$23,279, the corresponding

depreciation annuity computed on the 6% sinking fund basis as \$410, and also the present value as represented by the estimated cost to reproduce new in 1925 less accrued depreciation, amounting to \$18,393.

The complainants stated that they were willing to pay a reasonable increase over existing rates in order to compensate defendant for the cost of introducing an improved water supply which it was suggested might be obtained by purchase from the pipe mains of either the Port Costa Water Company or the Hercules Water Company, which operates in nearby territory. The hearing was adjourned to enable a joint investigation to be made of the above proposed sources of water to determine the best solution of the problem of an improved water supply and to permit the submission of estimates of cost of installing same and other data necessary for the determination and fixing of proper water rates. At the adjourned hearing it was reported that all parties, including defendant, had agreed that the Hercules Water Company plan, which provided a gravity delivery of water, offered the best and cheapest substitutional supply for Rodeo, and reports thereon, including detailed appraisals, were submitted by Mr. M. Manov, engineer for Rodeo Improvement Club, and by H. A. Noble, from which the following comparative tabulation of estimates is compiled:

	By <u>M. Manov</u>	By <u>H. A. Noble</u>
Estimated Historical Cost of Existing Plant	\$20,127	\$23,279
Deduct: Portion of plant to be abandoned, including pump plants, wells, tanks, etc.	6,079	8,149
Total for Property remaining in use	<u>\$14,048</u>	<u>\$15,130</u>
Add: Estimated Cost installing Hercules source with 4" pipe main.	7,059	7,107
Total installed	<u>\$21,107</u>	<u>\$22,237</u>
Depreciation Annuity (6% Sinking Fund).	\$361	\$385
Estimated Annual Maintenance and Operation Expenses for future	\$3,848	\$4,040
Present or Depreciated Value of Structural Portions of Plant to be abandoned	\$3,905	\$4,435

It is noted that the resulting totals of the appraisals of these properties as submitted by Mr. Manov and Mr. Noble do not differ to any considerable extent.

The evidence shows that Mr. Claeys has agreed to install the proposed Hercules source and to abandon the existing well supply, provided a rate increase would be authorized which would yield a compensatory interest return on the resulting increased investment in the water supply system, together with proper compensation for the part of his plant which would have to be abandoned. The protestants, while agreeing to the proposition of Claeys including the plan for the writing off or amortization of the abandoned plant, objected to paying in excess of a monthly minimum charge of \$2.00. However the determination of a proper rate it was agreed should be left to the Commission.

In July, 1926, subsequent to the submission of this case and pursuant to the above agreement, Claeys installed the facilities for introducing the Hercules supply, including 3,941 lineal feet of 6" standard screw pipe, a 73,000 gallon steel tank and 500 lineal feet of 2" galvanized screw pipe to connect with a 2" master meter on the existing 4" pipe main of the Hercules Water Company, and submitted to the Commission an itemized statement of the actual cost of above installation, which amounted to \$9,003.24. On August 1, 1926, the former well system was abandoned and delivery of water to the consumers from the new source of supply began.

Under the circumstances mentioned above, it appears that defendant Claeys has satisfactorily remedied the conditions complained of in this proceeding, and therefore it is recommended that the Commission issue an order dismissing this matter in so far as it relates to the former inadequate water supply. There remains therefore only the establishment of proper rates to be

charged for the improved service to be rendered.

From a careful analysis and consideration of all the evidence submitted relating to the value of this plant at present used and useful, it appears that for the purpose of this proceeding the total of the following items is the fair and reasonable sum to allow as the rate base upon which to allow an interest return:

Estimated original cost of distribution system	\$15,130
Actual cost of installing Hercules source. . .	<u>9,005</u>
Total present investment in plant	\$24,133

The depreciation annuity as computed by the 6% sinking fund method is found to total \$415 after making the necessary adjustment for the Hercules installation.

The maintenance and operation expenses of this utility for the year 1925, when the supply of water was pumped from wells, totalled \$5,400. The annual maintenance and operation expenses necessary for the future operation of this system, allowing for purchase of entire water supply from the Hercules Water Company, were estimated by Mr. Manov at \$3,848 and \$4,040 by the Commission's engineer. After a study and analysis of the evidence regarding operating expenses, and taking into consideration the requirements that proper and adequate service be rendered, it appears that \$4,400 is a reasonable allowance for the annual costs of operation and maintenance for the immediate future. Considering the circumstances under which defendant has installed the new source of supply and which necessitated his abandonment of the former well source, it appears fair and reasonable that an annual allowance be included with future operating expenses, sufficient to amortize over a period of five years a sum representing the total present value of the wells, pumps, tanks, etc., thus abandoned. From the evidence it appears that the total amount of

this fund to be amortized is \$5,900, or \$780 per annum, after allowing for salvage value.

The annual charges for future operation of the system as summarized from the above, are as follows:

Maintenance and Operation Expenses. . .	\$4,400
Depreciation Annuity.	410
Amortization Allowance.	780
Total.	<u>\$5,590</u>

Interest return on a rate base of \$24,153.

The rates at present in effect produced for the year 1924 a total revenue of \$3,800, and for 1925 a total of \$3,942.04, with uncollected water bills amounting to \$542.

As indicating the character of the water use on this system, the record shows that for April, 1926, there were 209 active consumers, of whom 150 used 400 cubic feet or less and therefore paid the minimum charge only of \$1.50 in accordance with the present rate schedule. The system is fully metered. It is evident that the rate schedule heretofore in effect will not produce the necessary revenues.

The rate schedule established in the accompanying order has been designed to yield a reasonable interest return on the present investment in used and useful property, over and above the operating and maintenance expenses and including the amortization fund. In the computation thereof, due allowance has been made for the probable growth in the number of consumers and in the consumption of water due to the improved quality of the water now being delivered.

The following form of order is hereby submitted:

O R D E R

Rodeo Improvement Club having filed a formal complaint against Rodeo Water Company, owned and operated by S. J. Claeys, public hearings having been held thereon, the matter having been

submitted, and the Commission being now fully informed thereon,

It Is Hereby Found as a Fact that by the installation of a new and improved source of water supply and the abandonment of the existing well source complained of, defendant has fully satisfied the complaint herein.

It Is Hereby Further Found as a Fact that the rates now charged by S. J. Claeys, operating a water system under the fictitious name and style of Rodeo Water Company, for water delivered to his consumers are unjust, unreasonable and non-compensatory, 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 improved service as now rendered; and basing its order on the foregoing findings of fact and on the further statements and findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that S. J. Claeys, operating a public utility water system under the fictitious name and style of Rodeo Water Company, be and he is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order the following schedule of rates, said rates to become effective and be charged for all service rendered subsequent to October 31, 1926:

RATE SCHEDULE

Monthly Minimum Payments for Metered Service:

For 3/4 inch and 5/8 inch meters	\$2.25
For 1 inch meter	4.00
For 1 1/2 inch meter.	5.50

Monthly Quantity Rates:

Use from 0 to 300 cubic feet.	\$2.25
" " 300 " 1000 " " per 100 cu.ft.. . .	.39
" " 1000 " 3000 " " " " "52
All use over 3000 " " " " "27

IT IS HEREBY FURTHER ORDERED that said S. J. Claeys file with this Commission for each six months' period commencing

with the period ending December 31, 1926, a statement giving a summary of its operations, including the revenues, operating expenses, capital additions and betterments installed, and such retirements and abandonments thereto as may have been made during such period. said statements to be filed on or about January 10th and July 10th of each year until further order of this Commission.

IT IS HEREBY FURTHER ORDERED that said S. J. Claeys file with this Commission within thirty (30) days from the date of this order rules and regulations governing relations with his consumers, said rules and regulations to become effective upon acceptance for filing by the Commission.

IT IS HEREBY FURTHER ORDERED that except as provided above in this order the complaint herein be and the same is hereby dismissed.

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

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 21st day of October, 1926.

H. W. Brundage
Charles
Edward Deeds
Leon White
John Stewart
Commissioners.