

ORIGINAL

Decision No. 18022.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of MATTIE  
 L. GOODWIN and GRACE WEBB, co-partners doing  
 business under the firm name and style of  
 QUINCY WATER WORKS, for an order increasing  
 the rates to be charged for service at Quincy,  
 Plumas County, California, and establish-  
 ing a schedule of rates as so increased. )  
 )  
 ) Application No. 12753.  
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In the Matter of the Application of MATTIE  
 L. GOODWIN and GRACE WEBB, co-partners doing  
 business under the firm name and style of  
 QUINCY WATER WORKS, for a decision of the  
 question whether certain persons in Quincy,  
 California, now and heretofore having free  
 water service are entitled to the continu-  
 ance of such service. )  
 )  
 ) Application No. 13012.  
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 )

U. S. Webb and M. C. Kerr, for applicants.

J. D. McLaughlin, for certain protestants  
in Application No. 12753.

H. D. Wolf, for Yien Joe, protestant in  
Application No. 13012.

L. H. Hughes, for C. J. Lee and Meryl Rob-  
ertson, protestants in Application  
No. 13012.

BY THE COMMISSION:

O P I N I O N

In Application No. 12753, as entitled above, an increase  
 in water rates is sought by Mattie L. Goodwin and Grace Webb, co-  
 partners operating under the fictitious name and style of Quincy  
 Water Works and engaged in the business of supplying water for do-  
 mestic and commercial purposes to the inhabitants of the town of  
 Quincy, in Plumas County. The application alleges in effect that

the rates heretofore established for this system by the Railroad Commission do not produce revenues sufficient to meet the costs of operation and maintenance, and the Commission therefore is requested to establish a schedule of rates which will provide for a reasonable income to the owners over and above the operating and maintenance expenses and proper allowance for depreciation, which schedule of rates it is further alleged should be not less than fifty per cent. greater than the rates now in effect.

A public hearing in this proceeding was held before Examiner Austin in Quincy after all interested parties had been duly notified and given an opportunity to appear and be heard.

The Quincy Water Works has been in operation and serving water to residents of the town of Quincy for over forty years and has been controlled and operated by the present owners for more than twelve years last past. The water supply is obtained from springs located in Goodwin Ravine, Ganzer Ravine, and on property formerly known as the Boyle Ranch. These springs are all on lands now owned by the company, comprising 160 acres more or less. Water is stored in two concrete reservoirs of a total capacity of 525,000 gallons, from which it is distributed by gravity to the consumers. The average capacity of the springs is claimed to be 37 miner's inches.

The transmission and distribution system consists of approximately 16,400 feet of pipe lines and mains varying from 10 inches to 1½ inches in diameter, the larger sizes being riveted steel and the smaller sizes being either O.D. casing or standard screw pipe. The system is entirely unmetered and on May 1st, 1926, served 153 active consumers.

The rates now charged by this utility were established by the Railroad Commission in its Decision No. 9811, dated November 23, 1921 (20 C.R.C. 888), rendered in connection with Cases

Nos. 1492 and 1493, which decision provides only for flat rate charges as set out in part as follows:

MONTHLY FLAT RATE SCHEDULE

1.	Residences, Boarding Houses, flats, lodging houses, apartments, of five rooms and less	\$1.00
	For each additional room . . . . .	.10
	Additional for each bathtub . . . . .	.25
	" " " toilet . . . . .	.25
	" " " private garage and one automobile. . . . .	.25
	" " " private barn and one head of stock . . . . .	.25
	" " " automobile or head of stock over one. . . . .	.20
2.	Sprinkling or irrigation of lawns, gardens, shrubbery, etc., when taken continuously, per 100 square feet. . . . .	.02
	Sprinkling or irrigation of lawns, gardens, shrubbery, etc., when not taken continuously, per 100 square feet . . . . .	.05
3.	Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, theatres, warehouses, meat markets, drug stores, billiard parlors . . . . .	1.50
* * * * *		
16.	Fire Hydrants, each. . . . .	1.00

No appraisalment was submitted by applicants other than the allegations set forth in the application to the effect that the properties have actually cost more than \$28,000 and are now of a value greatly in excess thereof. The application further sets forth that the annual operating and maintenance costs, including interest on borrowed moneys, amount to slightly in excess of \$3,700 as compared to an average gross revenue of \$3,800.

D. H. Harroun, one of the Commission's hydraulic engineers, presented a report in which he estimated the original cost of the physical properties exclusive of water rights and certain lands owned by the company and known as the Boyle property, to be \$18,480 as of April 30, 1926, with a corresponding depreciation

annuity of \$320, computed by the sinking fund method at 5%. The operating and maintenance expenses for the immediate future were estimated to be \$2,557.

Applicants have contended that they are entitled to an allowance for water rights which shall include the land known as the Boyle property, containing 96 acres of land, which was acquired by applicants for the sole purpose of obtaining water developed upon these lands, no value for which was included by the Commission's engineer in his appraisalment of the properties of this utility. From the evidence it appears that during the severe drought and consequent water shortage existing throughout the entire state of California in 1924, this utility was badly handicapped by lack of an adequate water supply, and as a result of complaints made informally to this Commission by certain of the consumers the Commission suggested to the utility that it take immediate measures to provide an additional water supply. This suggestion was complied with through the purchase of the Boyle property upon which was located a spring capable of producing a normal low flow of approximately 17 miner's inches. The acquisition of this property was authorized by this Commission in its Decision No. 13637, dated June 3, 1924, in Application No. 10133 (25 C.R.C. 8). The Boyle property consists principally of hilly lands, a portion of which is timbered. It contains about ten acres of meadow land which is susceptible of cultivation and has located upon it a small ranch house. According to the testimony applicant has sold from this land about \$800 worth of timber.

In view of the fact that the evidence shows that the present value of this property is now in excess of the amount paid for it in 1924, and as this utility evidenced its good faith by acquiring an additional water supply at the request of this

Commission and in so doing obtained the most available and practicable supply at the best terms possible and at a price not unreasonable, it appears to the Commission that in all fairness this utility is entitled to have included in its rate base for the purpose of this proceeding the sum of \$8,150 which it paid for the Boyle properties for the primary purpose of securing the water rights appurtenant thereto.

J. D. McLaughlin, counsel for certain protestants, advanced the contention that applicant should not be entitled to include in the rate base the cost of the reservoir used for fire protection purposes by reason of the fact that this reservoir was built at the sole expense of and is maintained by the Quincy Fire District. Applicant claims that this reservoir was built under agreement with the said Fire District wherein the land was furnished by the company and the cost of installation borne by the District, which although maintaining the reservoir has given the title to the water company, and for this reason said reservoir is a part of the applicant's property which should be properly included in the rate base.

From the evidence it appears that in order to provide an adequate supply of stored water for fire protection purposes the Quincy Fire District entered into an agreement dated May 7, 1923, with the Quincy Water Works, wherein the District agreed to install at its own cost a reservoir of approximately 250,000 gallons capacity, on land owned by the Water Works and adjacent to the then existing reservoir, and also to install at its own expense the intake facilities from Goodwin Ravine as well as the pipe lines and fittings necessary to connect this new reservoir to the reservoir and distribution system belonging to the Water Works. This agreement further provides that the Water Works may use for its domestic requirements one half of the storage

capacity of the fire reservoir and the District agrees to maintain and keep in repair for the life of the contract, which is fifty years, this reservoir and its appurtenant structures and connecting pipe lines. It is further set out in the agreement that title to all the property installed by the District shall vest in the Water Works and that for a period of fifty years the Water Works shall supply to the Fire District water service for fire protection purposes through its distribution system and through fire hydrants installed by the District, for which the latter shall pay at the rate of \$25.00 per month for not more than thirty fire hydrants, the rate to be charged for additional hydrants to be subject to agreement by and between the parties to the contract.

The above agreement was entered into by reason of this Commission's Decision No. 9811 (20 C.R.C. 888), wherein the complaint of the Quincy Fire District demanding that the Quincy Water Works be required to install at its own expense the necessary facilities for the rendering of adequate service for fire protection purposes was dismissed for lack of jurisdiction.

It appears to the Commission that the Quincy Fire District has installed at its own cost the facilities for diverting and storing water, for delivering such water to the existing distribution system of the Water Works, and has also installed the necessary fire hydrants. In addition to this it has given this utility title to the entire installation and complete control over its operation, even permitting the use of one half of the fire reservoir storage for domestic service when conditions require. Besides this the District itself must pay for the costs of maintenance and repair of this property, although it is no longer the owner. On the other hand the utility provides the water supply and distribution facilities and the reservoir site, which however have already been included in the appraisalment

presented by the Commission's engineer. For this service the utility is reimbursed to the extent of twenty-five dollars per month for not to exceed thirty hydrants, a rate agreed upon some two years subsequent to the fixing by the Commission of a rate of \$1.00 per month each for fire hydrants for the then existing fire service. In fairness to the Fire District and the regular consumers under these circumstances and conditions the Commission cannot reasonably permit the inclusion of the cost of this fire reservoir and its appurtenant connections to be made a part of the rate base upon which this utility is entitled to earn a return through charges to be paid by the consumers.

Based upon the testimony and evidence presented it appears that the sum of \$26,630 represents a reasonable rate base for the purposes of this proceeding and that for the immediate future a fair allowance for the annual maintenance and operating expenses and depreciation annuity will be \$2,600 and \$320 respectively. The revenues receivable for the year 1925 amounted to \$4,036. Based upon the foregoing figures as determined herein the operations for 1925 resulted in a net return of approximately 4.2% on the above rate base of \$26,630. It is apparent that applicants are entitled to a slight readjustment of the existing rate schedule.

This Water Works now has an ample water supply of fine quality served at good pressure. The system has been economically managed and efficiently operated, and practically no restrictions have been placed upon the amount of water used by the consumers, a fact which has resulted in encouraging the use of water for domestic irrigation purposes and has developed a community now famous for its beautiful lawns and gardens. This is well illustrated by the very high water consumption, amounting to 3,200 gallons daily per consumer, or approximately 625 gallons daily.

per capita. It is the desire of applicants to continue the present practice of water delivery as long as there is sufficient water, and therefore no rate for measured service is requested. The schedule of rates set out in the following order is designed to produce slightly increased revenues which should yield a fair return upon the investment over and above the reasonable costs of operation and maintenance, including depreciation.

In Application No. 13012, which by stipulation was combined for hearing and decision with the above rate proceeding, the Quincy Water Works asks the Commission to determine the status of the rights to free water service claimed by certain consumers. The application sets forth that for the last twelve years the present owners and operators of the Quincy Water Works have served water to nine consumers or their predecessors in interest without making any charge therefor because each of these consumers claims an established and perpetual right to free water from this system. It is further alleged that these nine consumers refuse to pay the current rates for water service, which results in an unfair discrimination as to the other consumers. The Commission therefore is requested to determine whether applicant shall continue to supply above consumers with free water service or charge them the regular rates..

From the evidence it appears that the water system now supplying the town of Quincy was installed by Judge John D. Goodwin and placed in operation in the year 1878. In 1867 one Corydon Lee acquired by purchase a tract of land located below the mouth of what is now called the Goodwin Ravine. A small tank which was located upon this property received its water through a flume running from a small diversion dam in Goodwin Ravine which at this time was vacant land. The original source of the water was from springs and seepage in this ravine. From the water tank three



pipe lines were taken out; a two-inch line carried water to the Lee property, while a one-inch pipe line carried water to the property of Judge Goodwin, which had been acquired by him in 1860, and a similar one-inch pipe conveyed water to property belonging to John Coburn, comprising the old Coburn House, a famous early-day hostelry, and certain commercial businesses run in connection therewith. The water was used upon the Lee and Goodwin premises for general household purposes and for garden and to some extent agricultural irrigation use. From the testimony the above three parties claimed title and ownership to all the water rights in Goodwin Ravine in proportion to the capacity of their respective pipe lines. G. W. Meylert purchased the hotel from Coburn in 1873 and in the same year for a consideration of \$100 obtained by quitclaim deed from Judge Goodwin the right to take from the tank on Goodwin's property the amount of water which would flow through a one-inch pipe. In the early part of 1878 or immediately prior thereto Judge Goodwin decided to install a more comprehensive water system and deliver and sell water to users in the town of Quincy. Verbal agreement was entered into by Goodwin with Lee and Coburn whereby all of the waters procurable in Goodwin Ravine were stored in a new reservoir placed at a higher elevation, the old tank was abandoned, and Lee and Coburn were given new pipe line connections from the new water system, assuring them the same quantity of water they had theretofore enjoyed. The entire expense of installing the new water system was borne by Goodwin; the water received by the other two owners of the water rights in Goodwin Ravine was agreed upon in consideration of Lee and Coburn permitting the change in the method of appropriation and distribution of the water. In accordance with this plan water deliveries to consumers in Quincy were commenced at some time during the year 1878, and Lee and Coburn or their successors in interest have

continued to receive water from the Quincy Water Works ever since without payment therefor. It is apparent that at the time water was delivered to the general public in Quincy for compensation, that so much of the waters as was sold to the general public was thereby dedicated to the public use, but as to those waters delivered to the Coburn and Lee properties and to G. W. Meylert, there was no dedication, for such waters belonged to Coburn, Lee and Meylert and were merely transported for and delivered to them by the Water Works. The only change in the status of these waters was in the method of handling and delivery. According to the evidence submitted this applies to the rights of Daisy L. Rogers (whose rights are referred to in the application under the name of A. J. Watson), and who has succeeded to a part of the rights of Corydon Lee; to Clark J. Lee, who has inherited the rights of his father Corydon Lee; to Yien Joe, who occupies property really owned by W. J. Miller but now under contract of sale; to J. N. Stephens and H. G. Dorsch, apparently referred to in the application as Quincy Hardware Store", who have acquired their interests through acquisition of portions of the Coburn property, with the water rights appurtenant thereto; and also applies to the rights originating from those water rights acquired from Judge Goodwin by G. W. Meylert in 1873.

We do not wish to be understood as attempting to exercise jurisdiction to determine any question of water rights or the right of any particular individual to any particular waters or service. If such rights exist they exist by virtue of State law, and cannot be determined by this Commission. We do not believe, however, that the other consumers of this utility can or should be burdened with the costs necessarily incurred in rendering the service in question to the above mentioned persons, and in fixing the rates which this public utility shall charge to its

public utility consumers as distinguished from those who may have private rights to any of its waters, we have taken into consideration these facts, and shall not burden the public utility consumer therewith.

There is another distinct class of water rights involved herein which arises from a source entirely different from the rights heretofore discussed. Located in a field belonging to Judge Goodwin there was a spring whose waters had been appropriated and converted to beneficial use prior to the acquisition of the property in 1860 by Judge Goodwin. This spring was no part of the water supply from the Goodwin Ravine, nor has it at any time before or since the establishment of the Quincy Water Works been a part of that system. Prior to 1878 water was used from this spring by one J. W. Tregaskis for use upon certain property belonging to him, and was also so used by the predecessors in interest of certain property referred to herein as belonging at one time to Mrs. R. E. McChesney. Rights to water arising from purchase through various conveyances of portions of the McChesney property with appurtenant water rights thereto are now claimed by Dr. Stewart and L. P. Mori. Meryl Robertson and H. G. Hilton have succeeded to certain of the interests and water rights appurtenant to the Tregaskis property.

On July 3, 1905, an agreement was entered into between Judge Goodwin and Mrs. R. E. McChesney wherein for a consideration of \$100 paid by the latter Mrs. McChesney turned over to Goodwin all her water rights in the spring in Goodwin field in return for a service connection from the Quincy Water Works system giving approximately an equivalent amount of water. On October 21, 1905, a similar agreement was made by Judge Goodwin with J. W. Tregaskis. The property containing this spring was sold by Goodwin to one Hale, who subsequently drained the land, with the result that the spring could be no longer used for a water supply.

It is apparent that the agreements entered into by Goodwin in 1905 to exchange free water from his public utility water works for the extinguishment of the rights of McChesney and Tregaskis to the spring waters arising upon his land, involved the granting of perpetual rights to water already dedicated to the public use, and are therefore subject to regulation and revision by this Commission. We have consistently adhered to the doctrine that all contracts and agreements purporting to grant to private interests perpetual and/or preferential rights in a water supply dedicated to the public result in an unfair discrimination against the regular consumers of the utility and therefore very properly may be disregarded by this Commission in the exercise of its powers in the fixing of rates. (Southern Pacific Company vs. Spring Valley Water Company, 173 Cal. 291. Limoneira Company vs. Railroad Commission, 174 Cal. 232.) This is true in the case of those rights derived through Tregaskis and McChesney. Unquestionably the same discrimination exists through those rights descending from Lee, Coburn and Meylert, but as already set out these latter rights were acquired before the waters involved therein were in fact dedicated to the public use, are private rights in character, and the Commission therefore is without authority to disregard them. (Allen vs. Railroad Commission, 179 Cal. 68.) Whatever remedies may exist for failure of the water works to deliver water under the agreements with Tregaskis and McChesney are beyond the jurisdiction of this Commission and are matters for the determination of the civil courts.

O R D E R

Mattie L. Goodwin and Grace Webb, co-partners doing

business under the fictitious name and style of Quincy Water Works, having applied to the Railroad Commission for authority to increase the rates charged for water service furnished to consumers in the town of Quincy, in Plumas County, and having also made application for a determination by this Commission of their public utility duty and obligations concerning the continued delivery of free water service to certain consumers claiming rights thereto; a public hearing having been held thereon, at which by stipulation it was agreed that these two applications be consolidated for hearing and decision, the matters having been submitted and the Commission being now fully informed thereon,

It Is Hereby Found as a Fact that the rates and charges of the Quincy Water Works for water delivered to consumers in the town of Quincy, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates and charges herein established are just and reasonable rates to be charged for such service.

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

IT IS HEREBY ORDERED BY THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA that Quincy Water Works be and it 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, such rates to be charged for all service rendered subsequent to January 31, 1927.

MONTHLY FLAT RATE SCHEDULE

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|--|--------|
| 1. Residences, Boarding Houses, flats, lodging   |        |
| houses, apartments, of five rooms and less . . . | \$1.25 |
| For each additional room . . . . .               | .10    |
| Additional for each bathtub. . . . .             | .25    |

Additional for each toilet . . . . .	\$ .25
Additional for each private garage and one automobile. . . . .	.25
" " " private barn and one head of stock. . . . .	.25
" " " automobile or head of stock over one. . . . .	.20
2. Sprinkling or irrigation of lawns, gardens, shrubbery, etc., when taken continuously throughout year, per 100 square feet . . . . .	.03
Sprinkling or irrigation of lawns, gardens, shrubbery, etc., when not taken continuously, per 100 square feet during month water is actually used. . . . .	.05
3. Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, theatres, warehouses, meat markets, drug stores, billiard parlors. . . . .	1.50
4. Ice cream parlors, soda fountains and saloons, either alone or in connection with other business . . . . .	1.50
5. Banks, professional offices, fraternal halls, club rooms, shoe shops, stores and offices not otherwise listed . . . . .	1.25
6. Restaurants, lunch counters, per unit of seating capacity . . . . .	.10
Minimum charge . . . . .	2.00
7. Barber shop, per chair . . . . .	1.00
Additional for each bathtub. . . . .	1.00
8. Laundries, according to use. . . . .	3.00 to 5.00
9. Railroad use, water motors, schools, according to use . . . . .	5.00 to 8.00
10. Hotels: Dining room . . . . .	2.50
Bedrooms, each. . . . .	.10
11. Public garages, 5 automobiles or less. . . . .	2.50
For each additional automobile over 5. . . . .	.25
12. Stables and feed yards, per average number of stock fed per month, each. . . . .	.25
Private barn or garage, in connection with stores, hotels, etc., for each automobile or head of stock. . . . .	.25
13. Additional for each bathtub, toilet and urinal in 3 to 12 inclusive . . . . .	.25
14. Plumas County Court House. . . . .	20.00
15. Plumas County High School. . . . .	15.00
16. Minimum monthly charge for each service connection. . . . .	1.25
17. Fire Hydrants, subject to agreement by and between Quincy Fire District and Quincy Water Works.	

IT IS HEREBY FURTHER ORDERED that Mattie L. Goodwin and Grace Webb, doing business under the fictitious name and style of Quincy Water Works, be and they are hereby directed and authorized to discontinue the practice of serving water, free of charge to all water consumers whose claims to such free water service have been obtained through contracts or agreements entered into at a period subsequent to the dedication to the public use of the waters so served.

IT IS HEREBY FURTHER ORDERED that Mattie L. Goodwin and Grace Webb, doing business under the fictitious name and style of Quincy Water Works, be and they are hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order, revised rules and regulations to govern the distribution of water to consumers, said rules and regulations to become effective upon acceptance for filing by this 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 23<sup>rd</sup> day

✓ February  
of ~~January~~, 1927.

H. B. Rosendy

C. Seavey

Leon Whittell

John P. Howell  
Commissioners.