

DECISION NO. 18419

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
SONOMA WATER & IRRIGATION CO.  
for authority to amend rates.

Application No. 12946.

Dudley D. Sales, for Applicant.  
F.A. Postlewaite, City Attorney,  
for City of Sonoma.  
R.N. Barrett and A.R. Grunsted,  
for Consumers League of Sonoma.

WHITSELL, COMMISSIONER:

O P I N I O N   O N   R E H E A R I N G

On November 6, 1926, this Commission rendered its Decision No. 17579 in the above entitled proceeding establishing therein a revised and amended schedule of water rates to be charged for all water service rendered by Sonoma Water and Irrigation Company in and in the immediate vicinity of the City of Sonoma and in El Verano and Sonoma Vista in Sonoma County. Thereupon, Sonoma Water and Irrigation Company applied to the Commission for a rehearing of the matter which was granted by an order issued November 26, 1926 with the result that the rates heretofore charged were continued in effect.

The petition for rehearing alleges in effect that the rates as established in said Decision No. 17579 are non-compensatory and insufficient to yield the amount of annual income which applicant is entitled to receive; that the rates so established will enable applicant to earn only 4.4 per cent interest on the

value of its existing plant which was found by the Commission to be \$60,000. for the purpose of this proceeding and only 3.1 per cent interest return on \$85,000., which will be the value of the plant after applicant has expended the sum of \$25,000. for improvements as ordered by the Commission. It is further alleged that, if the said schedule of rates should be made effective, applicant will be financially unable to expend any sums of money whatsoever for the improvement or rehabilitation of its water system.

The rehearing in this proceeding was held on January 14th, at Sonoma, after all interested parties had been duly notified and given an opportunity to appear and be heard. By stipulation entered into by all interested parties, the entire record of the previous hearings held in this matter was accepted as part of the evidence of the instant proceeding.

In support of its petition for increased rates, applicant submitted a detailed tabulation of the maintenance and operation expenses for the entire combined system as incurred for the year 1926 showing a total of \$6,310., exclusive of depreciation, and giving the total actual revenues for 1926, under the existing rates, as \$9,329., corrected for certain 1925 water bills not paid until the year 1926. An estimate of the maintenance and operation expenses for 1927 was also submitted showing an increase of approximately \$1,400. over the total actual costs as set out above for 1926. This increase is attributable largely to raises in the salaries of certain field and office employees which were alleged by applicant to be necessary. Analysis of the above 1926 operating expenses shows that there has been included therein certain extraordinary items of expense incurred in connection with the present Railroad Commission proceeding, amounting to about \$350. The fact that expenditures of this nature do not recur annually should be given

consideration in connection with the estimates of future annual operating costs.

Applicant estimated that the rate schedule as established by the Commission's Decision No. 17579, when applied to the water use of 1926, will produce only a net increase of \$330. over the actual revenues obtained for that period. This small estimated increase in revenue over that produced by the rates at present in effect is due largely to the reduction in the present minimum monthly charge of \$2.00 for both flat and metered rates in the City of Sonoma to a minimum charge of \$1.50 for 5,000 gallons or less. Analysis of the 1926 water use in the City of Sonoma indicates that about 44 per cent of the metered consumers used an average of less than the minimum allowance of 5,000 gallons. It is to be noted that the system was being progressively metered during 1926 and, when entirely metered, the above percentage will very probably increase to over 50 per cent.

The protestants in behalf of the City of Sonoma complained of the inadequate and unsatisfactory service and water pressures that have existed in the town for a number of years and request relief from these conditions by improvement of the Sonoma City system. However, protest was made against any further increase in the rates for Sonoma over those heretofore fixed in Decision No. 17579 in this proceeding. Counsel for the City of Sonoma contended that no increase in rates would be necessary unless the other systems were combined with the Sonoma plant and objected to such a combination upon the grounds that it would result in placing most of the burden of the charges to produce the necessary revenues on the consumers of the City of Sonoma.

After a careful consideration and analysis of the additional and supplemental evidence introduced at this rehearing together with a review of all the evidence heretofore submitted, it appears that the facts and findings regarding the operations of this utility, as expressed in the opinion in the prior decision in this proceeding, have not been materially altered by any of the evidence presented on rehearing. Therefore, the sums of \$6,200. for maintenance and operation expenses and \$1,064. for the depreciation annuity as heretofore determined appear to be fair and reasonable and will be confirmed herein as proper allowances for such items to be used in connection with the rate base of \$85,000. which includes the estimated cost of the proposed improvements to the system, estimated at \$25,000. which applicant has agreed to install at once after the detailed plans thereof have been approved by the Commission.

From computations which are based on the 1926 water use, it is apparent that the schedule of rates of the form heretofore established in this proceeding will not produce the annual revenue required to return to applicant the necessary and reasonable annual charges of the system including a fair interest return on the rate base and therefore a readjustment of these rates is found to be necessary. It should be pointed out at this time that in applicant's original petition for an increased schedule of rates authority was asked to reduce the present monthly minimum charge in Sonoma from \$2.00 to \$1.50. Acting upon this suggestion, the Commission adopted the \$1.50 minimum basic charge in the design of the rate schedule now under review and which has proved to be inadequate for reasons given above.

The evidence shows that for a number of years past the consumers on both the Sonoma City system and on the El Verano and Sonoma Vista systems have received more or less inadequate and inefficient service. The present management has indicated its intention to improve this condition not only by means of

enlarging inadequate main and storage capacity, which it has agreed to commence at once, but also through adoption of more efficient operating methods. It is primarily the duty of utilities to deliver a sufficient supply of water under adequate pressures to meet the needs of its consumers and to maintain good service and applicant herein will be expected to take immediate steps to put this system in efficient and proper operating condition and to maintain continuous and adequate service at all times to its consumers.

The revised schedule of rates as set out in the following order has been designed and computed to return the necessary annual charges to the system including a return by way of interest on the investment which will be fair and reasonable under the circumstances.

#### ORDER ON REHEARING

Sonoma Water and Irrigation Company, a corporation, having filed a petition for rehearing in the above entitled matter, a rehearing therein having been granted and a public hearing having been held thereon, briefs having been filed, the matter having been submitted and the Commission being now fully informed in the premises,

It is hereby found as a fact that the schedule of rates heretofore established in this proceeding for Sonoma Water and Irrigation Company, a corporation, by Decision No. 17579 of the Railroad Commission, issued November 6, 1926, is unjust and unreasonable in so far as it differs from the schedule of rates herein established and that the rates herein established are just and reasonable rates to be charged for the service rendered. And, basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Sonoma Water and Irrigation Company, a corporation, be and it is hereby authorized and directed to file with this Commission, within thirty (30) days from the date

of this order, the following schedule of rates to be charged for all water service rendered to its consumers in and in the vicinity of the City of Sonoma, El Verano and Sonoma Vista on and after June 1, 1927:

REGULAR METER RATES

Monthly Minimum Charges:

5/8" x 3/4" meter-----	\$ 2.00
3/4" "-----	2.50
1" "-----	3.50
1 1/2" "-----	5.50
2" "-----	8.00

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to that quantity of water which the monthly minimum charge will purchase at the monthly quantity rates set out below:

Monthly Quantity Rates:

0 to 5,000 gallons, per 1,000 gallons-----	\$ .40
5,000 to 10,000 " " " "-----	.25
10,000 to 25,000 " " " "-----	.20
All over 25,000 " " " "-----	.15

SUMMER RESORT RATES

Applicable only to service outside of Sonoma City system and particularly in the El Verano and Sonoma Vista Districts.

Annual charge payable in advance, entitling consumer to 3,000 gallons of water each month for any period of six consecutive months-----\$12.00

Where water is used in excess of the above allowance of 3,000 gallons per month, the following schedule shall apply:

MONTHLY QUANTITY RATES

0 to 3,000 gallons included in annual charge.	
3,000 to 10,000 gallons, per 1,000 gallons-----	\$ .25
10,000 to 25,000 " " " "-----	.20
All over 25,000 " " " "-----	.15

Where water service is used for a period greater than the above six consecutive months, the regular monthly minimum charges and quantity rates shall apply, provided, however,

that any consumer within the summer resort class may receive service under the regular schedule of rates by paying in advance the sum of \$24.00 entitling such consumer to 5,000 gallons of water per month for each of twelve consecutive months.

FIRE HYDRANTS

Owned and installed by City, County or Fire District, each per month-----\$1.50

Owned and installed by the company, each per month----- 2.00

All other municipal service charged for at the regular meter rates.

IT IS HEREBY FURTHER ORDERED that Sonoma Water and Irrigation Company, a corporation, be and it is hereby directed to file with this Commission within thirty (30) days from the date of this order revised rules and regulations governing the service of water to its consumers, said rules and regulations to become effective upon their acceptance for filing by this Commission.

IT IS HEREBY FURTHER ORDERED that Sonoma Water and Irrigation Company, a corporation, be and it is hereby directed to file with this Commission for its approval, within sixty (60) days from the date of this order, detailed plans for the improving of its storage and distribution system facilities, said improved facilities to be installed and in proper operation on or before August 1, 1927.

IT IS HEREBY FURTHER ORDERED that Decision No. 17579, dated the sixth (6th) day of November, 1926, shall remain in full force and effect except as modified herein.

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 1<sup>st</sup> day of June 1927.

H. B. Randiger  
C. Leavy  
Leon Whitell  
Thos. Shattuck  
Commissioners.