

Decision No. 18112

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of O.N. Hirsch for order fixing water rates.	} } } Application No. 13949.
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R.J. Darter, for Applicant.

**ORIGINAL**

BY THE COMMISSION:

O P I N I O N

O.N. Hirsch, the applicant herein, owns and operates a public utility water system under the fictitious name and style of Irvington Water Works, furnishing water for domestic purposes to the inhabitants of the unincorporated town of Irvington and adjacent territory in Alameda County.

The application alleges in effect that the flat rates at present charged are non-compensatory in that they are inadequate to produce sufficient revenue to return the necessary operating expenses of the system, including depreciation, and, in addition, yield a seven per cent interest return on the total investment in the operative properties, which return petitioner believes he is reasonably entitled to receive. The Commission therefore is requested to establish a schedule of metered rates to be charged consumers which will yield a return of seven per cent upon the investment, which applicant alleges will require a minimum monthly charge of \$3.00 per month per consumer.

A public hearing in this proceeding was held before

Examiner Gannon at Irvington, after all interested parties were duly notified and given an opportunity to appear and be heard.

The present operative plant of this utility is the result of the recent consolidation of the distributing systems of two small public utilities which have been in operation for over twenty years supplying water in the town of Irvington and in the territory intervening between said town and Mission San Jose. One of these plants is known as the Irvington Water Works, or the Hirsch System, and the other as the Metzger System. A new and improved well source of supply has been acquired on the O.N. Hirsch ranch about one mile east of Irvington and now provides the water for the combined properties. The transfer of the Metzger System to O.N. Hirsch was authorized by the Commission's Decision No. 18034, dated March 1, 1927. The evidence shows that this water plant was donated to Mr. Hirsch, together with a cash sum of \$7,500., to be applied toward the cost of installing the new pumping equipment on the well at the Hirsch ranch and also a 10,000-gallon tank and certain pipe mains necessary to connect up the systems.

The present water supply is obtained by pumping from a 12-inch well, 408 feet deep, into a 10,000-gallon redwood stave tank elevated 40 feet above the ground surface and from thence is delivered by gravity to the distribution system consisting of approximately five miles of standard screw distribution mains ranging from 3-inch to 3/4-inch in diameter and a redwood stave storage and regulating tank of 20,000 gallons capacity. At present, there are 94 consumers on the combined system, of which 42 have been recently metered but continue to be charged at flat rates as there is no schedule of metered rates established. Applicant intends to

meter progressively the whole system. The present base rate for domestic service is \$1.00 per month on the Metzger System and \$1.50 on the other.

H.A. Noble, one of the Commission's hydraulic engineers, made a field investigation of this utility and at the hearing in this proceeding submitted a report which showed the total estimated original cost of the property at present devoted to the public use as \$17,230., the depreciation annuity, computed by the five per cent sinking fund method, as \$302., and estimated the sum of \$1,970. to be a reasonable allowance for the annual maintenance and operating expenses for the immediate future. The field investigation disclosed that the book accounts of this utility have not been kept in an accurate or systematic manner and the records of expenditures incurred for maintenance and operation of the system and for new capital invested during the past years are fragmentary and very incomplete. This utility has never filed an annual report of its operations as required by the rules of this Commission.

Applicant submitted the estimate of \$19,556. as the "Value of the Investment" in the present operative properties. This amount included the donated properties and was admitted by applicant to be approximate only and not based upon either actual inventory or appraisement. Applicant estimated that the monthly maintenance and operation expenses for the plant will total \$225., or \$2,700. per year. This monthly total is made up of \$75. for electric power and \$150. for salary, for one man and is apparently incomplete since no items are included for repairs, taxes, insurance or general office and incidental expenses. However, applicant accepted the appraisement and estimate of operating expenses as presented by the Commission's engineer and, such

figures appearing reasonable, they will be used for the purpose of this proceeding. The revenues produced from the flat rates in effect for the year 1926 totalled \$1,584., which amount is inadequate to yield bare operating expenses and depreciation charges. Applicant is entitled therefore to a readjustment of the present rates.

The evidence shows that the estimated original cost of this system, shown above as \$17,230., includes property donations, which in the aggregate amount to approximately \$10,000. In addition to this, the utility serves a large territory sparsely settled and much of it in acreage. During the past few years, the total number of consumers on the combined system has not increased and no material growth may reasonably be predicted for the near future. Under these conditions, it is apparent that the utility is still in a stage of development in which a full return upon the investment cannot be granted without establishing a rate more than the service is reasonably worth and prohibitory to the consumers.

The rate schedule set out in the accompanying order has been computed and designed to yield sufficient revenue to cover the necessary operating expenses, together with depreciation, and will also yield a return on the actual investment, exclusive of donated properties, which will be reasonable under existing conditions and circumstances.

Analysis of the data which was submitted relating to the operations of this utility and particularly that regarding the character of water use on this system under the flat rates in effect and the amount of pumping which has been necessary to supply the present requirements of the few consumers served indicates both an extravagant and wasteful use of water and an in-

equitable distribution of charges among the various consumers according to their respective uses of water. The complete metering of this system as proposed will remedy the conditions mentioned above, which obtain under the existing flat rate method of delivery. The result will be a conservation of the water supply by elimination of wasteful use, an equitable distribution of the charges, whereby each consumer pays in accordance with his actual and necessary use of water, and a material reduction in pumping expenses.

O R D E R

O.N. Hirsch, who owns and operates a public utility under the fictitious firm name and style of Irvington Water Works, having made application to this Commission for an order establishing a schedule of metered rates to be charged for water delivered to his consumers in the unincorporated town of Irvington and adjacent territory, Alameda County, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

It is hereby found as a fact that the rates now charged by O.N. Hirsch, operating under the fictitious firm name and style of Irvington Water Works, for water supplied his 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 to be charged for such service. And basing its order upon the foregoing findings of fact and upon the other statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that said O.N. Hirsch be and he is hereby 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 delivered to consumers subsequent to 31st day of December, 1927.

METER RATES

Minimum Monthly Charges:

For 5/8-inch meter-----	\$1.75
For 3/4-inch meter-----	2.25
For 1-inch meter-----	3.00
For 1 1/2-inch meter-----	4.00
For 2-inch meter-----	6.50

Each of the foregoing minimum monthly charges will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following monthly meter rates.

Monthly Meter Rates:

For use of 600 cubic feet, or less-----	\$1.75
From 600 to 2000 cubic feet, per 100 cubic feet-----	.25
From 2000 to 4000 cubic feet, per 100 cubic feet-----	.20
All over 4000 cubic feet, per 100 cubic feet-----	.15

Monthly Flat Rates:

Those consumers receiving unmeasured service shall be charged under the existing flat rate schedule until the first day of the month immediately following the installation of a meter on any such flat rate service.

IT IS HEREBY FURTHER ORDERED that said O.N. Hirsch be and he is hereby directed to file with this Commission, within thirty (30) days from the date of this order, rules and regulations to govern relations with his consumers, such rules and regulations become effective upon their 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 10th day of December, 1927.

Ernest D. Smith

Al Seaver

Thos. J. Smith

M. J. Lee  
Commissioners.