

ORIGINAL

Decision No. 19369

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application  
of the Highland Domestic Water  
Company, a corporation, for  
authority to increase its water  
rates.

Application No. 14070.

William Guthrie, for Applicant.

W.E. Byrne, for O. Hopp.

CARR, COMMISSIONER:

O P I N I O N

The Highland Domestic Water Company, a corporation, applicant in the above entitled proceeding, is a public utility engaged in the business of supplying water for domestic and irrigation use in and in the vicinity of Highland, San Bernardino County. The application alleges in effect that the rates now charged by applicant are unjust and unreasonable and do not afford a reasonable return on the amount of money invested in its property, and asks that the Railroad Commission authorize applicant to make such changes in its rates as will afford a fair return on its investment.

A public hearing was held in the above proceeding at Highland, after all interested parties had been notified and given an opportunity to appear and be heard.

The company's water supply is obtained from three wells by electrically-driven pumps discharging into a reservoir

having a capacity of approximately 380,000 gallons. The water is then distributed by gravity through approximately 72,900 feet of mains, ranging from eight to three-quarter inches in diameter, to approximately 394 consumers, of which 369 are metered. One hundred and fifty-four consumers pay an additional rate of 25 cents per month for fire protection service, as provided by an agreement between the County Fire Protection District and the company, in effect since November 20, 1905.

The rates now charged for water service were established by this Commission on August 26, 1925, by its Decision No. 15338, and are as follows:

METER RATES

Monthly Meter Quantity Rates:

From 0 to 500 cubic feet, per 100 cubic feet-----	\$0.30
From 500 to 2,000 cubic feet, per 100 cubic feet-----	.20
From 2,000 to 3,500 cubic feet, per 100 cubic feet-----	.15
All in excess of 3,500 cubic feet, per 100 cubic feet--	.10

Monthly Minimum Meter Charges:

5/8 or 3/4-inch meter-----	\$1.50
1-inch meter-----	2.25
1 1/2-inch meter-----	3.00
2-inch meter-----	5.00

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that minimum will purchase at the "Monthly Minimum Meter Charges" set out above.

The monthly flat rates are in part as follows:

For each residence of not over five rooms-----	\$1.50
For each additional room over five-----	.10
For each head of stock kept by private family-----	.25
For each automobile-----	.25
For each bathtub in private house-----	.25
For each water closet in private house-----	.35
For small stores and business offices-----	2.00
For large stores and business offices employing four or more persons-----	2.50
Lawns of fifty square yards, or less-----	.25
Each additional square yard-----	.005

MONTHLY RATE FOR FIRE PROTECTION SERVICE

For each house or building connection within the fire protection district in addition to above charges per month-----	\$0.25
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William Guthrie, President of the company, submitted a statement setting out the rate base established by the Commission in its Decision No. 15338, dated August 26, 1925, with additions and betterments installed each year since that date, and also the operating expenses, depreciation allowance and revenues for the years 1925, 1926 and the first seven months of 1927. This information is tabulated and expanded as follows to show the results of operation for each year:

	1925	1926	1927 (First 7 mos.)
Rate Base, January 1st.	\$53,015.00	\$64,773.33	\$70,678.23
Additions to Capital	11,758.33	5,904.90	1,128.98
Rate Base, December 31st.	\$64,773.33	\$70,678.23	\$71,807.21
Average Rate Base for year	\$58,894.17	\$67,725.78	\$71,242.72
Operating Revenue	\$ 9,305.98	\$ 9,386.93	\$ 5,575.23
Operating Expenses, including depreciation	5,439.80	5,450.73	3,747.37
Net Operating Revenue	\$ 3,866.18	\$ 3,936.20	\$ 1,827.86
Per Cent Return on Average Rate Base	6.56%	5.80%	-

Investigation by one of the Commission's hydraulic engineers shows that the fixed capital installed as of December 31, 1927, as set out by applicant, is reasonable with the possible exception of the cost of drilling the new well which was abnormally high by reason of encountering unusual difficulties in drilling operations. The increase in 1927 expenses is due to a recent increase in the salary of the manager, to charges for automobile use not heretofore entered in the accounts and to certain abnormal charges for legal expenses and repairs to buildings, which may reasonably be expected not to recur annually and should, therefore, be amortized over a period of years. From a careful consideration

of the operating expenses, it is believed that the sum of \$5,700. is a reasonable allowance for this item, including a reasonable allowance for depreciation.

The operating revenues for the period October 1, 1926, to October 1, 1927, were \$10,301. Based upon the figures outlined above, the operations for this period resulted in a net return of approximately 6.5% on the average investment of \$71,243., or 6.4% on the investment as of December 31, 1927, amounting to \$71,807.

While there were no complaints made against the service rendered by this utility, a number of consumers appeared at the hearing and protested against the granting of any increased rate whatsoever and requested that more water be allowed for the present minimum monthly charge in order that gardens and lawns could be properly maintained at a reasonable cost. Applicant, however, requests a higher minimum charge which will provide for a proportionately larger quantity of water but also asks that the other quantity rates in the rate schedule now in effect remain unchanged.

The evidence indicates that this system serves an area largely residential in character and not in any sense of the word thickly settled. Part of the service is rendered to consumers residing in small tracts of land devoted principally to citrus culture and, recently, a considerable amount of money has been invested to supply new territory very sparsely settled at the present time. Under these circumstances, it is clear that the present distribution facilities are considerably in excess of those necessary to supply existing demands and that the system is therefore considerably overbuilt. It would, of course, be unfair to the present consumers to place upon them the full burden of paying for an unreasonable proportion of facilities

installed and awaiting possible future demands. A comparison of the rates now charged by this utility with the rates in effect on similar systems operating under like conditions indicates that applicant's rates, with proper operating economies, should enable it to operate at a reasonable profit. In addition to this, the evidence shows a steady and substantial annual increase in gross revenues from the normal growth of the community served. In view of these circumstances and the further fact that this utility is now enjoying a net return somewhat in excess of six per cent upon its total capital investment, it is clear that the evidence does not warrant the granting of a further increase in rates under existing conditions.

The following form of order is recommended:

ORDER

Application having been made to this Commission as entitled above, 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 ORDERED that the above entitled matter be and it is hereby denied.

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 Com-

mission of the State of California.

Dated at San Francisco, California, this 15<sup>th</sup> day  
of February, 1928.

Leon Whitney

O. Seaver

Thos. S. Rowland

M. J. Cas  
Commissioners