

Decision No. 19597

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
Imperial Utilities Corporation, for  
permission to increase water rates  
charged consumers at Calipatria.

Application No. 14179.

L.M. Burntrager and A.L. Kent,  
for Applicant.

H.C. Hopkins, City Attorney,  
for the City of Calipatria.

CARR, COMMISSIONER:

O P I N I O N

This is an application by the Imperial Utilities Corporation requesting an increase in the rates charged for water service rendered to the residents of Calipatria, in Imperial County. Applicant alleges in effect that the present rates do not produce sufficient revenues to provide a fair return upon the capital invested in its water properties and asks that all rates now in effect be increased twenty per cent.

A public hearing in this matter was held at Calipatria after all interested parties had been duly notified and given an opportunity to appear and be heard.

This water system was installed in 1914 by the Imperial Valley Land Association to aid in the sale of lots in the Townsite of Calipatria. In May, 1917, the system was purchased by applicant and consolidated for operation with other water systems owned and operated by it at Niland, Barstow and Wilmar. The schedule of rates now in effect is as follows:

Tenement buildings, lodging houses or residences, 6 rooms or less, 1 toilet, 1 bath, and water for irrigating 1 lot not to exceed 60 x 150 feet in size-----	\$2.50	per mo.	
Each additional room-----	.10	" "	
Each additional bath, toilet or urinal-----	.25	" "	
Horses, or cows, one-----	.25	" "	
Each additional horse, or cow-----	.15	" "	
Automobiles, each-----	.40	" "	
Small stores and shops-----	2.50	" "	
Hotel, base rate-----	2.50	" "	
For each room having running water or bath-----	.25	" "	
For all other rooms-----	.10	" "	
Hotels with dining room in connection, an additional charge of-----	4.00	" "	
Restaurants and eating houses-----	4.00	" "	
Business blocks, and floor, not exceeding five offices-----	2.50	" "	
Each additional office-----	.10	" "	
Stores, warehouses, butcher shops, confectionery shops, halls, billiard parlors, etc.-----	2.50	" "	
Drug stores and bakeries-----	2.50	" "	
Barber shops, one chair only-----	2.50	" "	
Each additional chair-----	.25	" "	
Photograph galleries-----	2.00	" "	
Laundries-----	4.00	" "	
Lumber yards-----	5.00	" "	
Showers-----	.50	" "	
Public baths, each-----	1.00	" "	
Public water troughs, each-----	1.50	" "	
Steam boilers or gas engines, each per M.D.-----	.30	" "	
Soda fountain, in addition to base rate for stores, each-----	1.00	" "	
Cotton gins, for not more than six-stand gin-----	5.00	" "	
For each additional gin-----	.40	" "	
Lime for building purposes, for each 100 sq. yds. plastered-----	.50	" "	
For each 1,000 bricks laid-----	.15	" "	
For all purposes per barrel lime-----	.15	" "	
Cement for construction, each 100 ft. construction work-----	.20	" "	
Concrete curb, per lin. ft.-----	.20	" "	

Graded streets, water used in setting streets, per 100 lin. ft.-----	\$1.00 per mo.
Fire hydrants, each-----	1.00 " "
Water for irrigation of lots at 1¢ per 100 square foot lot area.	

Monthly Minimum Payments:

5/8-inch meters-----	\$1.00
3/4-inch meters-----	1.50
1-inch meters-----	2.00
1 1/2-inch meters-----	3.00
2-inch meters-----	4.00
3-inch meters-----	5.00
4-inch meters, or larger-----	6.00

Monthly Meter Rates:

From 0 to 500 cu. ft., per 100 cu. ft.---	\$0.20
From 500 to 1,000 cu. ft., per 100 cu. ft.---	.18
From 1,000 to 2,000 cu. ft., per 100 cu. ft.---	.15
From 2,000 to 15,000 cu. ft., per 100 cu. ft.---	.12
From 15,000 to 100,000 cu. ft., per 100 cu. ft.---	.10
From 100,000 to 1,000,000 cu. ft., per 100 cu. ft.---	.09
From 1,000,000 to 4,000,000 cu. ft., per 100 cu. ft.---	.08
Above 5,000,000 cu. ft., per 100 cu. ft.---	.07

The water supply for this system is obtained from the Imperial Irrigation District which diverts water from the Colorado River and delivers it to the company by canal. The water carries considerable silt which is largely removed by sedimentation in four large basins having a combined capacity of 1,937,000 gallons. After chlorination, the water is pumped directly into the distribution mains and also into a 50,000-gallon steel storage tank located on a 75-foot tower. The company maintains a gas engine-driven pumping unit as stand-by equipment for emergency use. The distribution system consists of approximately 40,833 feet of mains varying from three-quarters to eight inches in diameter. On January 1, 1928, there were 344 service connections on the system, of which nine were metered and sixty-three inactive.

Applicant submitted testimony setting forth the capital invested as of June 30, 1927, based on reproduction cost new un-

depreciated, an estimate of the annual depreciation based on the straight line method, and a statement giving the operating expenses and revenues as shown by its books for the years 1924, 1925 and 1926, and as estimated for the year 1927. F.H. Van Hoesen, one of the Commission's hydraulic engineers, also submitted a report containing an appraisal of the properties based on the estimated original cost, an analysis of the costs of operation and maintenance for the years 1925, 1926 and 1927, and a depreciation annuity computed by the sinking fund method at five per cent. A comparison of the figures submitted in the above reports is shown as follows:

	By Applicant	By Van Hoesen
Reproduction Cost New as of June 1, 1927---	\$63,045.96	\$ -
Estimated Original Cost as of Jan. 1, 1928-	-	49,131.00
Annual Depreciation (Straight Line)-----	4,810.21	-
Annual Depreciation (5% Sinking Fund)-----	-	1,229.78
Operating Expenses (1925)-----	9,492.12	9,492.12
Operating Expenses (1926)-----	11,830.07	11,830.07
Operating Expenses (11 months of 1927)-----	10,670.68	8,120.98
Operating Expenses (Estimated--future)-----	14,188.00	7,385.00
Operating Revenues (1925)-----	9,645.55	9,645.55
Operating Revenues (1926)-----	11,730.78	11,730.78
Operating Revenues (11 months of 1927)-----	10,200.48	9,661.81
Operating Revenues (Estimated--1927)-----	11,630.00	10,569.00

In connection with the estimates of value mentioned above, it should be remarked that applicant's estimate of reproduction cost new includes an appraisal for excavation necessary in connection with the regular cleaning of canals and sedimentation basins and the removal of silt therefrom. Moreover, this estimate contains no figure to cover accrued depreciation, nor has applicant put forth any estimate of the "fair value" of its properties. This cost of excavation and removal of silt in connection with the cleaning of canals and sedimenta-

tion basins has, in the past, been allocated to operating and maintenance expense. This seems proper and such costs will be so allocated in the future. Any excess capacities of said structures are also not properly to be included in applicant's rate base, and, if we take into consideration the fact that more than half of applicant's distribution system was installed during the higher price period of the past ten years, the result is that applicant's reproduction new appraisal approximates closely the estimated original cost of the operating properties of this utility, including lands at present fair market value.

It is clear, therefore, that applicant's estimate of reproduction cost new is not of such a nature as to be usable in connection with the development of a rate base for this utility, and, after a careful consideration of the testimony adduced in this proceeding, I am of the opinion that a fair and reasonable rate base for present purposes may be arrived at from the estimate of original cost, undepreciated, with lands at present value, as presented by Witness Van Hoesen in the amount of \$49,131. The figure will, therefore, be used for this purpose.

The testimony shows that the soil conditions in and about Calipatria seriously affect underground portions of the system, as a result of which the company has been forced to replace a large part of its distribution mains with types of pipe more resistant to soil action. It, therefore, appears that the annual depreciation allowance should be increased to \$1,700., which appears to be reasonable in view of the conditions obtaining on this system.

The estimates submitted for the 1927 maintenance and operating expenses are somewhat at variance. This is due largely to differences in the items covering the cost of cleaning the settling basins and the general overhead expense incurred by the

main office at Los Angeles. The testimony shows that, during the past year, there has been an abnormal expense in connection with the cleaning of the settling basins which is not likely to occur annually and should, therefore, be amortized over a period of years. At the present time, applicant operates all of its utility business from its main office at Los Angeles and allocates this expense to the various utilities in proportion to the gross revenues received. By this method, the Calipatria water system is charged ten per cent of the total, which amounts to approximately \$150. per month. It appears unreasonable to expect the present small number of consumers served by this plant to pay so large an amount for bookkeeping and general office expense and supervision. An allowance of \$7,400. is considered reasonable for the annual operating and maintenance costs for the immediate future.

The revenues for 1927 are estimated by the Commission's engineer to be approximately \$10,569. and were based on operations for a period of eleven months of the year. Applicant's estimate for 1927 revenues, while somewhat greater, was based upon six months' operations only and is, therefore, not as reliable. Based upon the findings set out above, the operations for the year 1927 have resulted in a net return of approximately three per cent on the investment. It is apparent that applicant is reasonably entitled to an increased schedule of rates.

This utility operates under unusually difficult and severe service conditions. The only available source of supply is from the Colorado River and water must be settled to remove the silt carried in suspension. The canals and basins must be dredged and cleaned regularly and the material disposed of. Owing to the excessive heat, it is necessary to supply a greater quantity of water than would normally be required in other local-

ities. The use of water under flat rates is a great advantage and convenience to the consumers in maintaining comfortable living conditions and, for this reason, it appears advisable that domestic service be maintained under the present unmeasured plan. The schedule of meter rates established herein is solely for the purpose of providing such a rate, should special conditions arise requiring the measurement of water.

A large portion of the consumers, through the Chamber of Commerce of Calipatria, have signified their willingness to pay an increase of twenty per cent over the present rates; however, the evidence indicates that such an amount is somewhat in excess of the increase warranted by the existing conditions. A somewhat lower schedule of rates is established in the following order and it is believed that said schedule will provide a fair and reasonable return upon the rate base herein found.

The following form of Order is suggested:

O R D E R

Imperial Utilities Corporation, a corporation, having made application 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 FOUND AS A FACT that the rates now charged by Imperial Utilities Corporation for water delivered to consumers in Calipatria, Imperial County, 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 for such service.

Basing its order upon the foregoing findings of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Imperial Utilities Corpora-

tion be and it is hereby directed to file with this Commission, within thirty (30) days from the date of this order, the following schedule of rates to become effective for all water service rendered on and after the first day of May, 1928.

MONTHLY FLAT RATES

Tenement buildings, lodging houses or residences, 6 rooms or less, 1 toilet, 1 bath and water for irrigating one lot not to exceed 60 x 150 feet in size-----	\$2.90
Each additional room-----	.10
Each additional bath, toilet or urinal-----	.30
Horses, or cows, one-----	.30
Each additional horse or cow-----	.15
Small stores and shops-----	2.90
Hotel, base rate-----	3.00
For each room having running water or bath-----	.30
For all other rooms-----	.10
Hotels with dining room in connection, an additional charge of-----	4.50
Restaurants and eating houses-----	4.50
Business blocks, and floor, not exceeding five offices--	2.90
Each additional office-----	.10
Stores, warehouses, butcher shops, confectionery shops, halls, billiard parlors, etc.-----	2.90
Drug stores and bakeries-----	2.90
Barber shops, one chair only-----	2.90
Each additional chair-----	.30
Photograph galleries-----	3.00
Laundries-----	\$4.00 to 10.00
Lumber yards-----	6.00
Public baths, each tub-----	1.15
Each shower-----	.60
Public water troughs, each-----	1.75
Steam boilers or gas engines, per horse-power-----	.35
Soda fountain, in addition to base rate for stores, each	1.50
Cotton gins, for not more than 6-stand gin-----	5.75
For each additional gin-----	.45



Fire hydrants, each-----\$1.50  
 Water for irrigation of lots, per 100 sq. ft. lot area--- .01

CONSTRUCTION:

For each 1000 bricks laid----- .25  
 Concrete sidewalks and floors, each 100 sq. ft.  
 construction work----- .25  
 Concrete curb, per lin. ft.----- .25  
 For other purposes, per barrel of cement or lime----- .15  
 Graded streets, water used in settling streets, per  
 100 lin. ft.----- 1.00

METER RATESMonthly Minimum Charges:

5/8-inch meters-----\$ 2.90  
 3/4-inch meters----- 3.25  
 1-inch meters----- 4.50  
 1 1/2-inch meters----- 6.00  
 2-inch meters----- 8.50  
 3-inch meters----- 14.00  
 4-inch meters, or larger----- 20.00

Each of the foregoing "Monthly Minimum Charges"  
 will entitle the consumer to the quantity of  
 water which that minimum charge will purchase  
 at the following "Monthly Quantity Rates":

Monthly Quantity Rates:

0 to 1,000 cubic feet, per 100 cubic feet-----\$0.29  
 Next 4,000 cubic feet, per 100 cubic feet----- .20  
 Next 5,000 cubic feet, per 100 cubic feet----- .15  
 Next 10,000 cubic feet, per 100 cubic feet----- .12  
 Over 20,000 cubic feet, per 100 cubic feet----- .10

IT IS HEREBY FURTHER ORDERED that Imperial Utilities Corporation be and it is hereby directed to file with the Commission, within thirty (30) days from the date of this order, revised rules and regulations covering its relations with its consumers, said rules and regulations to 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.

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 13<sup>th</sup> day of April, 1928.

Leon Whitely

C. Seamy

Thos. R. R. R.

M. J. L.

Commissioners.