

Decision No. 26428

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

W.C. Fairey, et al.,	}
Complainants,	
vs.	
Heck Brothers, Fellows,	
Defendants.	

Case No. 2460.

H.G. Baron and W. Irwin, for Complainants.

R.M. Vaughan, for Defendants.

BY THE COMMISSION:

O P I N I O N

In this proceeding, W.C. Fairey and one hundred and thirty-one other residents of the Town of Fellows, Kern County, have filed a complaint against Heck Brothers, who own and operate a public utility water system supplying the town, alleging that the rates charged for water are excessive and request that the Commission establish a lower schedule of rates. In their answer, Heck Brothers deny that they are charging an excessive or unreasonable amount for water service or that they are making an unreasonable return upon the money invested in the water system.

Public hearings in this matter were held before Examiner Rowell at Fellows.

This water system was installed in 1910 by Heck Brothers

and supplies about 200 consumers through approximately 19,000 feet of pipe ranging from one to three inches in diameter. The water supply is obtained by purchase at the regular rate schedule from the Western Water Company, a public utility supplying water throughout the oil-field region in and in the vicinity of Taft. The present schedule of rates was never established by the Commission but has been in effect and charged by Heck Brothers for a number of years and was filed with the Commission by request. These rates are as follows:

METER RATES

Minimum-----\$1.50 per month  
Per Gallon----- 0.00-3/10

Above rates subject to following discounts if monthly bills are paid on or before the tenth of the month following that in which the water is used:

Under 6,000 gallons-----	28%
From 6,000 to 8,000 gallons-----	30%
From 8,000 to 10,000 gallons-----	33-1/3%
From 10,000 to 20,000 gallons-----	35%
From 20,000 to 30,000 gallons-----	40%
From 30,000 to 40,000 gallons-----	45%
Over 40,000 gallons-----	50%

At the hearing, reports were submitted by R.M. Vaughan, an engineer representing defendants, and by R.E. Savage, one of the Commission's hydraulic engineers, from which the following summary is taken:

	: Vaughan : as of : April 15, 1928 :	: Savage : as of : March 1, 1928 :
Estimated Original Cost	\$14,255.	\$11,762.
Estimated Operating Expenses	5,813.	4,720.
Depreciation Annuity	595.	373.
Gross Operating Revenue - 1927	6,736.	6,736.
Available for Return	328.	1,643.
Rate of Return	2.3%	14.0%

The difference in the annual maintenance and operation

costs is due to the necessity of estimating practically the entire expenses, as defendants have kept no adequate accounts and records of their water operations. The evidence shows that, for the purposes of this proceeding, the sum of \$12,500. represents a reasonable rate base and \$5,093. a fair allowance for the annual operating expenses, which includes a depreciation annuity of \$373. Upon this basis, the results of operation for 1927 reflect a net return of 13.2% upon the investment.

The water system and the entire town site are located upon lands leased to defendants herein and to the consumers and residents. All such leases may be terminated by either the lessors or the lessees at any time upon thirty days' notice. This utility therefore continuously faces a more hazardous and uncertain business situation than confronts the average water company and therefore should be entitled to a correspondingly greater return as compensation for the increased risk incurred. The present return, however, is considerably in excess of that warranted by existing conditions.

The present rate schedule providing for a minimum rate of \$1.50 per month, less discount, entitles the consumer to only 500 gallons of water per month. This is equivalent to a quantity rate of \$1.62 per 100 cubic feet, an amount entirely insufficient to meet the normal requirements of the average household. The consumers have all expressed a willingness to pay a greater monthly minimum charge for service, provided a greater and more reasonable quantity of water will be received for such minimum charge.

There is no potable water supply available near Fellows. The community must rely on the Western Water Company's system

which obtains its water from a source twenty-two miles away, requiring transmission at a working pressure of 400 to 450 pounds per square inch from two pumping plants. Such service is obviously very costly.

The rate set out below is based upon the suggestions of the consumers and will provide for a higher minimum monthly charge with a greater and more adequate allowance of water therefor. At the same time, the present excessive meter quantity rates will be reduced to such an extent that the consumers can reasonably afford to use the water. The revenues which should be produced by the schedule of rates established herein will provide a fair net return to the utility commensurate with the risk involved.

#### O R D E R

Formal complaint having been made as entitled above, public hearings having been held, the matter having been submitted and the Commission now being fully informed thereon,

It is hereby found as a fact that the rates charged by Heck Brothers for water distributed to their consumers in Fellows, Kern County, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates herein established are just and reasonable rates for such service, and basing the order upon the foregoing findings of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Heck Brothers be and the same are 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 water delivered to their consumers on and after the first day of December, 1928:

METER RATES

Monthly Minimum Charge-----\$2.25

The foregoing "Monthly Minimum Charge" will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following "Monthly Quantity Rates".

Monthly Quantity Rates:

First	350 cubic feet-----	\$2.25
Next	1,000 cubic feet, per 100 cubic feet-----	.60
Over	1,350 cubic feet, per 100 cubic feet-----	.55

IT IS HEREBY FURTHER ORDERED that Heck Brothers 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 their 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 7<sup>th</sup> day of November, 1928.

Leon A. White  
Ed. S. ...  
Ernest Scott  
Paul S. ...  
M. M. ...  
 Commissioners.