

Decision No. 28499

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of
The Sweetwater Water Corporation
for an increase in rates.

Application No. 14195.

Bacigalupi, Elkus & Salinger, by Charles de Y. Elkus and
Frank B. Austin and Philip S. Thatcher, for applicant.

Ray M. Harris, City Attorney of National City, by F.B. Buckley,
for City of National City, interested party.

F.D. Andrews, City Attorney of Chula Vista, and J.H. McCullough,
for City of Chula Vista, interested party.

BY THE COMMISSION:

O P I N I O N

In this proceeding, The Sweetwater Water Corporation, engaged in the business of developing and distributing water for domestic, industrial, irrigation and municipal uses to the inhabitants of National City, Chula Vista, a portion of the City of San Diego, and unincorporated territory in the vicinity, applies to the Commission for authority to increase its rates.

The application alleges in effect that the present rates do not produce a sufficient revenue to provide a reasonable return on the fair value of the property; that, in order to meet the demands for water service, the company contemplates developing an additional water supply and the installation of additional distribution facilities at an estimated cost of \$1,060,414., but the present revenues are not sufficient to permit financing those proposed improvements.

Public hearings in this proceeding were held before Examiner Williams at San Diego.

The rates now in effect on this system were established by the Commission in its Decision No. 9514, dated September 14, 1921, (20 C.R.C. 562) and are as follows:

Monthly Minimum Charges:

For 5/8-inch meter-----	\$ 1.25
For 3/4-inch meter-----	1.50
For 1-inch meter-----	2.00
For 1 1/2-inch meter-----	3.00
For 2-inch meter-----	4.00
For 3-inch meter-----	7.00
For 4-inch meter-----	12.00

For Water Used per Month - per 100 Cubic Feet:

From 0 to 1,000 cubic feet-----	\$.25
From 1,000 to 2,000 cubic feet-----	.15
Over 2,000 cubic feet (Irrigation)-----	.05
For use above 2,000 cubic feet for other than irrigation use-----	.15

Fire Hydrants:

Per month, each-----\$ 2.00

Street and Road Sprinkling, per 100 cubic feet----- \$.15

Minimum Charge for each Sprinkling Hydrant,
per month----- \$ 2.00

Water is obtained by impounding the discharge of the Sweetwater River and its tributaries and storing this water in a reservoir of 31,100 acre feet capacity. The dam forming the reservoir is of the gravity-arch type and constructed of concrete and rubble masonry, located in a gorge of the Sweetwater River approximately four miles east of the easterly limits of the Cities of National City and Chula Vista. The water is conveyed by gravity from the reservoir through two transmission pipe lines of 24 and 30 inches in diameter, the former located on the north

side and the latter on the south side of the Sweetwater Valley. At the easterly limits of National City and Chula Vista, the transmission mains connect with the distribution system consisting of approximately 510,000 feet of mains varying from 30 to 3/4 inches in diameter. There are approximately 4,550 active services, practically all of which are metered. The major portion of the area served is supplied by gravity; however, certain sections located above the gravity lines are served by pumping. The gross area supplied with water for domestic, industrial and agricultural irrigation purposes is approximately 6,000 acres.

At the hearing, reports were submitted by engineers for the company and for the Commission. The company's report was based upon the estimated reproduction cost new less accrued depreciation as of August 31, 1927; while that of the Commission was set out on the basis of the estimated original cost of applicant's property as of December 31, 1927, excepting lands and rights of way which were appraised at present fair market value. These reports also set out estimates of the operating expenses and revenues and the results of operations based thereon. A summary of these figures is shown in the following tabulation:

	: Company's : Engineers : as of : Aug. 31, 1927 :	: Commission's : Engineers : as of December 31, : 1925 :	: 1926 :	: 1927 :
Reproduction Cost	\$3,668,380	\$ -	\$ -	-
Reproduction Cost, Loss Depreciation	3,265,657	-	-	-
Original Cost	-	2,100,547	2,167,563	2,270,137
Depreciation Annuity, 5% Sinking Fund	14,687	14,848	15,351	15,802
Gross Operating Revenues	213,883	197,759	202,909	196,663
Operating Expenses, Exclusive Depreciation	75,847	89,046	83,254	75,260
Net Operating Revenues	123,349	94,865	104,304	105,801
Return	3.78%	4.52%	4.81%	4.65%

The appraisal presented by the company includes one

item amounting to \$200,000. and one of \$250,000. alleged to be the present worth of the plant's going value and water rights, respectively. No allowance was made for these intangible items in the report of the Commission's engineer.

The revenues and operating expenses are not strictly comparable by reason of the fact that the figures presented by the utility cover a period ending August 31, 1927; while those submitted on behalf of the Commission cover the complete calendar year ending December 31, 1927. In addition to this, the utility included non-operating revenues and expenses, principally for hunting and fishing privileges on Sweetwater Lake; while these non-operative revenues and expenses were excluded in the figures presented by the engineer for the Commission, who did, however, include the sum of \$8,700. in operating expenses authorized by the Commission in its Decision No. 9514 for the amortization of the extraordinary expenditures incurred by the company as a result of the great flood of 1916 and also in changing the location of mains and services on account of the extensive street-paving operations in 1920 and 1921. This amortization account was not included by the company for the reason that its estimates were based upon reproduction of plant and business as of August 31, 1927, and the extraordinary expenditures had been incurred prior thereto. These above figures indicate that applicant is not earning in excess of five per cent net return upon the estimated original cost of its properties.

For some time prior to the filing of the application herein, the company has endeavored to arrive at an agreed rate with its consumers and the City Councils of National City and Chula Vista. Several mass meetings were held as a result of which

the City Council and consumers using at least seventy-five per cent of the water in Chula Vista agreed to an increase not to exceed twenty per cent in the present rates, provided the utility proceeded with the installation of improvements and additional water supply facilities as outlined by its engineers. No official action was taken on this matter by the City Council of National City, which body decided to take no official and active part in the proceeding but to leave the entire matter to the determination of the Commission. Although the company objected to predicating its requested increase upon the complete installation of the proposed improvements estimated to cost a total approximately \$1,100,000., it did, however, submit a statement to the effect that it would be willing at this time to accept the increased rate as suggested and would proceed with the installation of the proposed improvements as rapidly as they could be financed. Without considering any part of the proposed improvements, the above suggested increase would produce a net return of 6.4% on the estimated original cost of the property as estimated by the Commission's engineers and a 5% return on the reproduction cost less depreciation submitted by the company, based upon the operations of 1927.

It appears reasonable at this time to authorize the increase in rates as suggested by representatives of a large portion of the consumers and accepted by the utility. This increased schedule will be established in the following order.

In Decision No. 9514, the Commission placed certain restrictions on this utility, limiting the further extension of service for agricultural irrigation purposes. Several petitions and requests were presented at the hearing, asking that these restrictions be removed and that the company be authorized to extend its service area to include certain adjoining tracts of

land, some of which contain a very considerable acreage. The evidence presented in this proceeding does not indicate that the present water supply is sufficient at this time to justify the removal of the existing restrictions without endangering the supply of the regular irrigation and domestic consumers.

Protest was made by certain consumers that the water supplied them was frequently highly discolored and of bad odor. The evidence indicates that these consumers are located in outlying sections of the system, where the water mains are dead-ended and that the difficulty has arisen from the fact that the company has not systematically drained and flushed out such mains. The water supply is carefully protected by chlorination and subject to laboratory control under the direct supervision of a competent sanitary engineer and bacteriologist. There is no complaint about the precautions taken by the utility to safeguard the water supply from the sanitary standpoint. It is suggested that steps be taken at once to flush regularly the mains in the outlying districts where consumers are supplied from pipe lines which are dead-ended, and that, wherever practicable and as soon as conditions warrant, such mains be cross-connected to provide a circulation of water. Such action will unquestionably eliminate practically all of the present trouble.

O R D E R

The Sweetwater Water Corporation having applied to the Railroad Commission for authority to increase its rates, public hearings 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 The Sweetwater Water Corporation for water supplied to its

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 statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that The Sweetwater Water Corporation 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 be charged for all water delivered to its consumers subsequent to the 30th day of November, 1929:

Monthly Minimum Charges:

For 5/8-inch meter-----	\$ 1.50
For 3/4-inch meter-----	1.80
For 1-inch meter-----	2.40
For 1 1/2-inch meter-----	3.60
For 2-inch meter-----	4.80
For 3-inch meter-----	8.40
For 4-inch meter-----	14.40

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following monthly quantity rates.

Monthly Quantity Rates:

From 0 to 1,000 cubic feet, per 100 cubic feet-----	\$.30
Next 1,000 cubic feet, per 100 cubic feet-----	.18
Over 2,000 cubic feet, per 100 cubic feet, for other than irrigation use-----	.18
Over 2,000 cubic feet, per 100 cubic feet, (irrigation use only)-----	.06

Fire Hydrants:

Each, per month-----	\$ 3.00
Street and Road Sprinkling, per 100 cubic feet-----	.18
<u>Minimum Charge for each Street Sprinkling Hydrant-----</u>	<u>\$ 3.00</u>

IT IS HEREBY FURTHER ORDERED that The Sweetwater Water 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 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.

Dated at San Francisco, California, this 16th day of November, 1923.

C. Seamy

Thos. S. Lovell

W. A. Cull

 Commissioners.