

Decision No. 23322

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SOLVANG WATER WORKS for authority  
to increase rates.

Application No. 17050.

Marcus Nielsen, for Applicant.

BY THE COMMISSION:

O P I N I O N**ORIGINAL**

Solvang Water Works, owned and operated by a copartnership consisting of H.P. Jensen, H.C. Hansen and Marcus Nielsen, engaged in the business of distributing and selling water for domestic purposes to the residents of the unincorporated Town of Solvang, Santa Barbara County, alleges that its present rate schedule does not produce a fair return upon the value of its water works properties. The Railroad Commission therefore is asked to establish an increased rate for water service.

A public hearing in this proceeding was conducted by Examiner Williams at Solvang on December 27, 1930.

The Solvang Water Works was originally operated as a mutual company under the name of Solvang Water and Irrigation Company, a corporation. This concern was unable to pay its expenses and became indebted to the present owners to the amount of \$3,400. In 1918, under foreclosure proceedings, the property was sold to them in satisfaction of the above amount. The new owners took possession of the water system and continued operation under increased charges fixed by them, ignorant of the fact

that by so doing they were operating as a public utility without proper authority from the Railroad Commission. There has been no complaint by the consumers but the present owners claim that the present rates are insufficient to meet bare operating costs and request the Commission to establish a proper rate schedule.

The water is obtained from wells located in a valley adjacent to the town and pumped into a reservoir, from which it is distributed by gravity to approximately one hundred consumers through pipe lines ranging from three to four inches in diameter. During the past year, additional water has been obtained from a well located in the townsite and owned by Marcus Nielsen. Arrangements have been made to acquire this well and equipment and this property will therefore be considered as belonging to applicant for the purpose of this proceeding.

At the hearing F.H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report and appraisal of the system based on the estimated original cost. In the following tabulation is set out a summary of this report and the book value of the properties and operating data presented by the secretary of the company.

	Books of Company Jan. 1, 1930	Van Hoesen's Report Dec. 20, 1930
Capital Invested-----	\$8,687	\$ -
Estimated Historical Cost-----	-	13,438
Additional Cost, new well-----	2,000	2,000
Expenses, including depreciation, (\$271), 1928-----	-	1,715
Expenses, including depreciation, (\$240 company's & \$271 Van Hoesen's), 1929-	2,154	2,185
Operating Revenue, 1928-----	-	2,285
Operating Revenue, 1929-----	2,379	2,379
Results of Operation, return-----	2.1%	1.2%

The company set up on its books the amount paid for the property in 1918, which is approximately five thousand dollars less

than the actual historical investment cost. Therefore, the sum of \$15,500 appears to be a reasonable rate base for the purposes of this proceeding. The operating expenses set out in the above tabulation reflect an analysis of such charges only as were actually entered in the books and accounts of the utility. No charges heretofore have been made for costs of management, bookkeeping and certain miscellaneous and minor items of maintenance and repair actually incurred by the owners of the system. The Commission's engineer estimated that the reasonable operating and maintenance expenses for the immediate future including the above omitted items, together with an allowance of three hundred dollars for depreciation covering the new well, would be \$2,700. This appears to be a fair allowance and will be accepted. The foregoing figures indicate that the operation for the year 1931 under present rates may be expected to result in an operating deficit of approximately three hundred dollars. It is evident therefore that applicant is entitled to an adjustment in the present rate schedule.

Certain consumers requested the Commission to require applicant to replace certain existing pipe lines with larger mains to provide an adequate fire service throughout the territory served. This company has never held itself out to render such a fire protection service. The town is unincorporated and there is no established fire district, resulting in a situation where no revenues can be collected for such a service. In view of the fact that the installation of new mains capable of providing a proper fire service would cost several thousand dollars, it is evident that it would be unreasonable at this time to require applicant to make such improvements without the financial assistance of the consumers. The formation of a county fire district with the power of raising funds is

usually resorted to under such conditions as exist here and, should this plan be decided upon, arrangements can then be made with the utility which will insure an improved delivery capacity in the distribution system for fire protection purposes.

O R D E R

Solvang Water Works, owned and operated by H.P. Jensen, H.C. Hansen and Marcus Nielsen, having made application to this Commission as entitled above, a public hearing having been held thereon, the matter having been duly submitted and the Commission now being fully advised in the premises,

It is hereby found as a fact that the rates and charges of Solvang Water Works for water delivered to its consumers, 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 to be charged for the service rendered, and

Basing this Order upon the foregoing finding of fact and on the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Solvang Water Works, a co-partnership, be and it is 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 all service rendered subsequent to the 31<sup>st</sup> day of January, 1931.

METER RATES

Monthly Minimum Payments for Metered Service:

5/8 x 3/4-inch meter-----	\$ 2.00
3/4-inch meter-----	2.50
1-inch meter-----	3.50
1 1/2-inch meter-----	5.00
2-inch meter-----	7.00
3-inch meter-----	15.00
4-inch meter-----	20.00

Each of the foregoing "Monthly Minimum Payments" will entitle the consumers to the quantity of water which that monthly minimum payment will purchase at the following "Monthly Quantity Rates."

Monthly Quantity Rates:

For first	600 cubic feet-----	\$2.00
Next	400 cubic feet; per 100 cubic feet-----	.25
Next	4,000 cubic feet; per 100 cubic feet-----	.20
All over	5,000 cubic feet, per 100 cubic feet-----	.10

FLAT RATES

For each house located on average sized lot, per month-----	\$2.00
For each unit of a building occupied by a separate and distinct business, per month-----	2.00

IT IS HEREBY FURTHER ORDERED that Solvang Water Works, a copartnership, be and it is hereby directed to file with the Railroad Commission of the State of California, within thirty (30) days from the date of this Order, rules and regulations governing its relations with its consumers, said rules and regulations to become effective upon their acceptance for filing by the Railroad 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 26th day of January, 1931.

C. J. [Signature]  
Leon Whitely  
W. B. [Signature]  
Fred G. [Signature]