

MRM/GEE

Decision No. 24705

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Walter G. Robert, et al.,
Complainants,

vs.

Victorville Domestic Water
Company, a corporation,
Defendant.

ORIGINAL

Case No. 3030.

William Guthrie, for Complainants.

Anderson & Anderson & Sheahan,
by Trent G. Anderson, for Defendant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Walter G. Robert and twenty-nine other consumers complain against the rates charged by the Victorville Domestic Water Company, a corporation, which distributes and sells water for domestic purposes in the Town of Victorville, in San Bernardino County.

The complaint alleges that the rates in effect are unjust and unreasonable and the Commission is requested to establish the following rates:

First	500 cubic feet, per 100 cubic feet-	\$.20
Next	500 cubic feet, per 100 cubic feet-	.15
Over	1,000 cubic feet, per 100 cubic feet-	.10

Monthly Minimum Charge of \$1.00

The answer of defendant alleges that the rates now in effect are reasonable and asks that the complaint be dismissed.

A public hearing in this proceeding was held at Victorville before Examiner Williams.

This system was installed in 1915 by the Appleton Land, Water and Power Company to supply the community of Victorville with water. This company leased the property to the Victorville Domestic Water Company, a subsidiary corporation, for operation. The terms of the lease among other things provide for the payment of all net revenues resulting from the operation of the system to the lessor. The rates in effect were filed with this Commission in 1915 and are as follows:

MONTHLY METER RATES

First 400 cubic feet-----	\$1.50
Next 500 cubic feet, per 100 cubic feet-----	.20
Over 900 cubic feet, per 100 cubic feet-----	.15
Minimum water rate, meter service-----	1.50

MONTHLY FLAT RATES

For every dwelling house occupied by one family of not more than five persons with the privilege of irrigating flowers and lawn not to exceed fifty square yards-----	\$1.25
Each additional room-----	.10

Water used for the irrigation of lawns, gardens, etc.,
one cent per 100 square feet.

(Other charges for various businesses
and for additional facilities.)

The present source of the company's water supply is from two drilled wells, from which the water is pumped into a 160,000-gallon steel tank erected on a hillside and approximately 130 feet above the elevation of the wells. The water is thence distributed to the consumers through approximately eight miles of

distribution mains varying from six inches to three-quarters of an inch in diameter. There are 525 services connected to the system, of which 324 are metered. At present there are 350 active consumers receiving water service from the company.

The water supply originally was obtained from springs located on the same property as the wells. As the yield of the springs gradually diminished, tunnels were driven into the hillside in an attempt to increase the flow. This water was collected in a concrete-lined reservoir and pumped either into the distribution system or into the elevated tank by electric-driven triplex pumps. A standby gas engine was also installed in case of power failure. All of these facilities are still available and are considered operative by the company.

Mr. Bard Livingstone, an engineer for the complainants, presented an estimate of cost of reproducing the operative property as of June, 1931, amounting to \$28,748, which included an allowance of \$1,000 for working capital. The evidence shows that Mr. Livingstone did not make a detailed inventory of the property but appraised only such items of physical property as he could observe and which he considered necessary for the service rendered. This method resulted in an incomplete inventory of the properties, both as to their extent and the class of materials of which they were composed. A revised appraisal was filed in complainants' brief in which the quantities making up the distribution system were corrected except for the omission of one well and pumping plant claimed to be non-operative by reason of its tendency to sand-up under continuous pumping. This corrected appraisal totalled \$29,974. A

statement was also filed by complainants showing the operating revenues and expenses of the company as set out in the annual report filed with the Commission.

Mr. Frank Daugherty, an engineer for the defendant, presented a report covering an appraisal of the company's property and a study of the operating revenues and expenses for the years 1928 to 1930, inclusive. The appraisal was based upon historical reproduction cost and totalled \$46,104. A depreciation annuity computed by the six per cent sinking fund method was estimated to be \$689. The book cost of the system was set up at \$46,103 compiled from the company's records. The operating revenues and expenses for the years 1928 to and including 1930, those for the last year being adjusted to exclude items more properly chargeable to capital, were given as follows:

	<u>1928</u>	<u>1929</u>	<u>1930</u>	<u>1930</u> <u>Adjusted</u>
Operating Revenues	\$9,263	\$9,602	\$9,415	\$9,415
Operating Expenses	5,397	5,159	5,584	5,338

The testimony indicates that the standby facilities consisting of the tunnel, supply reservoir, pumps and buildings are largely non-operative but that the pumps could be used for fire protection or domestic supply if sufficient time was allowed to place them in proper operative condition. These items total \$4,532 and the corresponding depreciation annuity is \$75. The evidence also indicates that the present value of the lands submitted by Mr. Daugherty as \$5,000 is excessive and should be reduced to more nearly approach their fair present market value. A careful consideration of the evidence submitted in connection with

both appraisals indicates that a reasonable rate base for the purposes of this proceeding is \$37,000.

The results of operation for the year 1930 based upon a reasonable allowance for operation and maintenance expenses including adjusted depreciation annuity, as indicated by the figures set out above, are as follows:

Rate Base-----	\$37,000
Operating Revenues-----	\$9,415
Operating Expenses including Depreciation-----	<u>5,950</u>
Net Operating Revenue-----	\$3,465
Net Return on Rate Base-----	9.34%

Defendant offered to file a revised rate schedule which it estimated would reduce the annual revenues approximately \$800. This reduction in revenue would correspondingly reduce the rate of return to 7.22% on the above rate base. This schedule is as follows:

MONTHLY MINIMUM CHARGES

5/8-inch meter-----\$1.50

MONTHLY QUANTITY CHARGES

0 to 600 cubic feet, per 100 cubic feet-----	\$0.25
Next 400 cubic feet, per 100 cubic feet-----	.20
Next 4,000 cubic feet, per 100 cubic feet-----	.15
Over 5,000 cubic feet, per 100 cubic feet-----	.10

MONTHLY FLAT RATES

Dwelling with family of not more than five persons, with privilege of irrigating lawn or garden not to exceed 50 square yards-----	\$1.25
Each bathtub-----	.25
Each toilet-----	.25
Private fire hydrants, 2-inch-----	2.00

(Other charges as set out in existing rate schedule.)

After carefully considering the evidence submitted in this proceeding, it is clear that the present schedule of rates is producing a greater revenue than defendant is reasonably entitled to and that the consumers should be granted the benefit of a lower rate for the water which they receive from this company. The rate schedule set out in the following Order is designed to provide sufficient revenue to cover maintenance and operating expenses, together with allowance for depreciation and a reasonable return on the value of the useful and operative properties.

O R D E R

A formal complaint as entitled above having been filed against the Victorville Domestic Water Company, a corporation, a public hearing having been held thereon, the matter being submitted and the Commission being now fully advised in the premises,

It is hereby found as a fact that the present rate schedule of Victorville Domestic Water Company, a corporation, in so far as it differs from the schedule of rates herein established, is unfair 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 by the Railroad Commission of the State of California that Victorville Domestic Water Company, a corporation, be and it is hereby authorized and directed to file with the Railroad Commission, within twenty (20) days from the date of this Order, the following schedule of rates for water de-

livered to its consumers in and in the vicinity of Victorville, San Bernardino County, said rates to be charged for all service rendered subsequent to the 31st day of October, 1931.

METER RATES

Monthly Minimum Charges:

5/8-inch meter-----	\$1.50
3/4-inch meter-----	1.75
1-inch meter-----	2.50
1 1/2-inch meter-----	3.50
2-inch meter-----	5.00
3-inch meter-----	8.00

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:

0 to 600 cubic feet, per 100 cubic feet-----	\$0.25
Next 400 cubic feet, per 100 cubic feet-----	.20
Next 4,000 cubic feet, per 100 cubic feet-----	.15
Over 5,000 cubic feet, per 100 cubic feet-----	.10

MONTHLY FLAT RATES

Defendant shall re-file the present effective flat rate schedule which shall remain in full force and effect.

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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 5th day of

October, 1931.

C. Kearney
Leon Whitely

W. B. Harris
Fred G. Stewart
Commissioners