

Decision No. 17703

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
the Hornbrook Water Co. for permis-  
sion to increase rates.

Application No. 17703.

H.H. Chapman, for applicant.  
Mollie Cole, protestant.  
M. Gosney, protestant.

**ORIGINAL**

BY THE COMMISSION:

O P I N I O N

In this proceeding the Hornbrook Water Company, a corporation engaged in the business of distributing and selling water for domestic purposes in the unincorporated town of Hornbrook, Siskiyou County, asks for authority to increase its rates.

The application alleges that the present rates do not produce sufficient revenue to provide a return on the investment or permit the maintenance of the property in proper operating condition. The Commission is asked to establish a measured rate with a minimum charge of one dollar and seventy-five cents (\$1.75) per month for five thousand gallons of water and, for all additional water used, ten cents per one thousand gallons.

A public hearing in this proceeding was held at Hornbrook before Examiner Johnson on December 1, 1931.

The present rates set out below were established prior to the enactment of the Public Utilities Act and were filed with this Commission in 1914.

MONTHLY FLAT RATES

All residences, restaurants and business houses-----	\$1.00
Hotels with fire connections to 2-inch line-----	5.00
Livery stables-----	1.50

METERED RATES

Minimum Monthly Charges:

Southern Pacific Company, only-----\$100.00

Monthly Quantity Charges:

Southern Pacific Company, only, per 1,000 gallons-----\$.02-2/3

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The evidence shows that in 1904 the Hornbrook Water Company was incorporated and constructed a water system to serve the community of Hornbrook for domestic purposes and to furnish water to the Southern Pacific Company at that point for engine use. However, by reason of the recent cycle of extremely dry years, sufficient water has not been available to meet the requirements of the railroad company which in 1927 installed a pumping plant in the Klamath River and provided an independent water supply for its own uses, resulting in a loss to applicant of approximately twenty-four hundred dollars (\$2,400) per year. Originally there was a sufficient water supply for all purposes from Rancheria Creek; however, the past several successive years of drought made it necessary for the company to develop additional water which is now obtained from four separate sources. Water was purchased from the Cottonwood Irrigation and Mining Company but as this source began to diminish in yield, efforts were made to secure the necessary water from wells. The failure of the wells this summer forced the utility to resort to pumping from the Klamath River a raw water not potable without treatment but suitable for irrigation and commercial and

industrial uses. A majority of the consumers have individual wells that provided drinking water during the summer months when the use of the river and ditch supplies had to be resorted to by the water company.

The distribution facilities consist of a 100,000-gallon, concrete-lined reservoir and 8,670 feet of mains ranging from eleven to two inches in diameter. There are seventy-two consumers served, all on a flat rate basis.

E.H. Chapman, owner of all the stock of applicant company and the operator thereof, testified that the book value of the system was \$9,698; the gross revenues for eight months of 1931, \$455; and the operating expenses, exclusive of depreciation, \$615, showing a loss of \$160 for the period. The largest item of expense was for purchased water, amounting to \$266.55. Mr. Chapman further testified that he proposed to install meters on all services and sell water on a measured basis to prevent further excessive waste of water by many of the consumers.

In the report presented by Wm. Stava, one of the Commission's hydraulic engineers, the property was appraised at \$10,213 and the corresponding depreciation annuity, computed by the five per cent sinking fund method, was estimated to be \$117. The average annual operating revenue for the three-year period 1928 to 1930, inclusive, was given as \$895 and the operating expenses, including depreciation, averaged \$805, leaving a net operating revenue of \$90, a return slightly less than one per cent on the investment in physical property. It was estimated that the installation of meters on all services as proposed by the company would require an expenditure which would increase the capital investment by two thousand dollars (\$2,000).

Several consumers testified that they had no objection to paying an increased rate provided the company furnished a more adequate and a potable supply of water. These witnesses testified that there has been a shortage of water during each summer for several years last past, resulting in the ruin or serious damage to gardens and lawns and much inconvenience to those consumers located on higher levels. Objection was made to the quality of the water which during the summer has been of such character that it was unsafe to use for drinking or cooking, the consumers being compelled to obtain water from wells for such purposes. Analysis of the water obtained from the ditch source shows that it was not contaminated or injurious to health in any manner, although some dissatisfaction with its use was indicated by reason of the fact that it was transported through approximately seven miles of open ditch located in a grazing area. The Klamath River water admittedly was not a potable supply without proper treatment but at times when it became necessary to use this water all consumers were given due notice thereof. According to the testimony, it is not feasible to install a treating plant for the Klamath River water for such a small system but it is suggested that the ditch supply hereafter be chlorinated in order to remove any possibility of endangering the health of the community. With the return of normal rainfall and stream run-off, use of raw river water will no longer be necessary and this source may then be dispensed with.

Apparently the company has made sincere attempts to develop all available water supplies. The further drilling of wells by applicant is not economically feasible as the underground formation in this area is such that sufficient additional water cannot

be produced from such sources, the existing shallow wells yielding only enough water for private individual use. All sources of supply, especially the wells, have suffered severely from lack of replenishment because of the continued shortage of rainfall. The complete metering of the system undoubtedly will be of lasting benefit in the conservation of water and should remedy the poor service conditions existing in the higher levels as a result of the excessive use of water for lawn and garden irrigation. It is suggested that the service connections from the main to the curb-line, which at present are owned by the consumers, be acquired by the company before meters are installed.

The evidence indicates that an adjustment in rates is required to enable the applicant to provide the funds necessary to improve the service although due consideration of course must be given to the fact that the system was designed to supply the railroad also and is to that extent over-built for present service conditions. It is apparent that the present consumers should not be burdened with the cost of producing a return on the additional facilities installed for the railroad service. The existing rates of this utility are considerably lower than those charged by other water companies but it is also true that in most instances these companies provide a better quality of water and a more adequate service. The rates set out in the following Order more nearly approach the rates of other utilities rendering a similar service and should produce operating expenses, depreciation annuity and a return on that part of the investment reasonably devoted to the service of the public under existing circumstances and conditions.

O R D E R

Hornbrook Water Company, a corporation, having applied

for authority to increase its rates, 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 present rate schedule of Hornbrook Water Company, 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 Hornbrook Water Company be and it is hereby authorized and directed to file with the Railroad 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 in Hornbrook, Siskiyou County, subsequent to the 31st day of December, 1931.

MONTHLY FLAT RATES

For all residences, hotels, flats or apartment houses, of five rooms or less-----	\$1.25
For each additional room-----	.15
For toilets or bathtubs in private residences, each-----	.25
For public bathtubs in bathing establishments, boarding houses and barber shops, each-----	1.50
Restaurants or eating houses-----	\$1.50 to 3.00
Stores and business houses-----	1.50 to 3.00
Garages and service stations-----	1.50 to 3.00
For irrigation of lawns, gardens and grounds, payable for five months' period commencing May first and ending September thirtieth per square yard of surface actually irrigated-----	0.003

METER RATES

Minimum Monthly Charges:

5/8-inch meter-----	\$1.50
3/4-inch meter-----	2.00
1-inch meter-----	2.50
1 1/2-inch meter-----	4.00
2-inch meter-----	6.00
3-inch meter-----	10.00

Each of the foregoing "Minimum Monthly Charges" 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:

0 to 600 cubic feet, per 100 cubic feet-----	\$ .25
Next 400 cubic feet, per 100 cubic feet-----	.20
Next 1,000 cubic feet, per 100 cubic feet-----	.15
Over 2,000 cubic feet, per 100 cubic feet-----	.10

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IT IS HEREBY FURTHER ORDERED that Hornbrook Water Company, a corporation, be and it is hereby authorized and directed to file with the Railroad Commission, within thirty (30) days from the date of this Order, rules and regulations governing its relations with the 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 28<sup>th</sup> day of

December, 1931.

C. L. Seavey  
Leon Whitely  
W. J. Cum  
M. B. Harris  
Frederic G. Stewart  
Commissioners.