

ORIGINAL

Decision No. 24722

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of BUTANO LAND AND DEVELOPMENT COMPANY for authorization to increase water rates for domestic and other service.

Application No. 17902.

Phillip F. Travers and F. Emerson Hoar,
for Applicant.
W.C. Palamountain, for Butano Improvement Club, Protestant.

BY THE COMMISSION:

O P I N I O N

In this proceeding Butano Land and Development Company, a corporation, makes application for an increase in rates for its public utility system which furnishes water for domestic purposes to consumers in the summer resort subdivision known as Butano Falls Tract, located near Pescadero, San Mateo County.

The applicant alleges that the revenues obtained from the present rates are non-compensatory, being insufficient in amount to return the annual maintenance and operation expenses, including depreciation, and a reasonable interest return on the capital investment.

A public hearing in this matter was held at Pescadero before Examiner Johnson. At the hearing applicant amended its petition herein by requesting that the Commission establish such increased rates as may be found to be just and reasonable.

H.A. Noble, one of the Commission's hydraulic engineers,

submitted a report covering the results of a field investigation of the water system and a study and analysis of the utility's past operations. This report shows a total of \$6,118 as the estimated historical cost of the utility properties installed as of January 1, 1932, and the corresponding five per cent sinking fund depreciation annuity as \$105. F. Emerson Hoar, for applicant, submitted an appraisal of these properties amounting to \$7,101. From the evidence it appears that Mr. Hoar's appraisal includes an item of \$506 for the cost of acquiring certain consumers' private pipe lines in 1928 and 1929 which is a duplication, as this charge is also included in the estimated cost of the distribution pipe mains, and also the sum of \$137 for rights of way evidently should have been charged to the cost of developing and subdividing the tract since the mains of the system in most instances are located in the public streets. It also appears that a 5,000-gallon wooden tank installed at the "B" springs was omitted from the appraisal submitted by the Commission's engineer, the total of which should be increased by its estimated cost of \$264. Making the above adjustments, these two appraisals may be considered in practical agreement.

The Commission's engineer submitted an estimate of \$260 for the reasonable annual maintenance and operation expenses, exclusive of depreciation. Applicant submitted a similar estimate totalling \$326, the difference being principally accounted for by larger estimates made by applicant for taxes and general expenses.

Careful consideration of the evidence leads to the conclusion that the necessary and reasonable annual charges to allow for the purpose of this proceeding for future operation of this system are as follows:

Maintenance and Operating Expenses-----\$ 260
Depreciation Annuity-----108

Total Operating Expenses-----\$ 368

Interest Return on Rate Base of-----\$6,400

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During 1931 there were forty-three active consumers on this system. However, twelve of them have refused to pay the rates for the water service, apparently on the ground that at the time of purchase of their lots this company had promised them free water service. ~~This~~ ~~matter~~ ~~was~~ ~~discussed~~ ~~and~~ ~~disposed~~ ~~of~~ in a prior proceeding involving this utility, in so far as this Commission's jurisdiction is concerned, by Decision No. 20684 issued January 17, 1929, granting applicant its certificate to operate and establishing the rates at present in effect. For this utility to permit approximately one-quarter of the total consumers on its system to receive water service free and thereby not stand their share of the burden of providing the revenue to meet the necessary annual maintenance and operation costs amounts to an unjust discrimination against the other consumers served. The revenue obtained in 1931 from the present rates in effect totalled \$241 and this amount would have been increased to about \$337 had the utility collected the amounts due from the twelve consumers mentioned above. Even assuming that all water users have paid in full, it appears that applicant is entitled to a slight increase in rates. The flat rate at present in effect is an annual charge of eight dollars payable in advance for service for the calendar year for domestic use for each cottage or residence served.

The evidence shows that this subdivision is at present only sparsely built upon and is still in the development stage. The

rate established herein will reflect this condition and provide a net return which will be fair and reasonable under such circumstances.

O R D E R

Butano Land and Development Company, a corporation, having made application to the Commission for authority to increase the rates on its public utility water system supplying the subdivision known as Butano Falls Tract, 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 rates now charged by Butano Land and Development Company 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

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

IT IS HEREBY ORDERED that Butano Land and Development Company 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 consumers beginning with the present season of 1932.

FLAT RATE SERVICE

Annual Charge:

For domestic use of water for calendar year for
each cottage or residence, payable in advance-----\$10.00

The above annual charge is due and payable
on the first day of June of each year of
service, except, however, that water may
be secured prior thereto at any time upon
payment of said annual charge.

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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 2nd day
of May, 1932.

J. Neary
W. A. C.
M. B. L.
Fred G. Klever
Commissioners.