

Decision No. 24843

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation on
 the Commission's own motion into the
 rates, charges, contracts, rules, regula-
 tions, classifications, operations, prac-
 tices, services, or any of them, of the
 water system owned and operated by
 S.J. Claeys under the fictitious firm
 name and style of Rodeo Water Company
 for the sale and distribution of water
 in and in the vicinity of Rodeo, County
 of Contra Costa, State of California.

Case No. 3190.

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S.J. Claeys, in propria persona.

T.D. Lewis, in behalf of consumers.

BY THE COMMISSION:

O P I N I O N

This proceeding was instituted by the Commission on its own motion primarily for the purpose of making an investigation and determination of the reasonableness of the present schedule of metered rates of the Rodeo Water Company, an unincorporated public utility which is owned and operated by S.J. Claeys and which supplies water for domestic purposes to the inhabitants of the town of Rodeo in Contra Costa County.

A public hearing in this matter was held before Examiner Satterwhite at Rodeo.

The metered rates at present in effect for Rodeo Water Company were authorized by the Commission in its Decision No. 17509 issued October 21, 1926, in Case No. 2203, entitled

Rodeo Improvement Club vs. Rodeo Water Company. Said proceeding was a complaint brought by the consumers against this utility upon the grounds that its then existing source of water supply obtained from wells was of undesirable quality and unsuitable for domestic uses, having a highly unpalatable mineral content, possessing a disagreeable brackish taste and upon use for cooking purposes depositing a heavy colored sediment. The request was made for an order of the Commission requiring the utility to abandon this well and substitute therefor a new supply of water which could be obtained by purchase from the Hercules Water Company, a public utility, at its regular metered rates. As evidenced by said Decision No. 17509, this new source of supply was obtained and the necessary delivery facilities installed by Rodeo Water Company at an actual cost of \$9,003.24; the estimated original cost of the properties it was necessary to abandon when the Hercules water was substituted was found to be approximately \$3,900 after allowing for salvage value. The schedule of metered rates as authorized in said decision was computed and designed to yield sufficient gross annual revenue to allow this utility to amortize over a period of about five years the above sum of \$3,900 after returning the necessarily increased operating expenses including depreciation and a fair interest return on its investment in used and useful properties. Following is a tabulation compiled from the semi-annual reports of this utility as filed with the Commission giving the results of its operations for the past six years under the present rates and showing the net revenue which was available each year to meet the interest return on the investment and, in addition, make the necessary contributions to the above mentioned amortization fund authorized by the Commission.

RODEO WATER COMPANY

Statement of the annual results of its operations
for the past six years 1926 to 1931, inclusive,
being the period that the present metered rates
have been in effect.

Items	1926	1927	1928	1929	1930	1931
Total Operating Revenue	\$ 6,101.21	\$ 7,063.41	\$ 9,315.05	\$ 9,769.35	\$ 9,709.25	\$11,341.64
Maintenance & Operation	4,114.84	5,997.37	5,786.58	5,732.27	5,976.19	6,721.55
Depreciation Annuity, 5% sinking fund	415.00	433.00	460.00	496.00	533.00	557.00
Total Operating Expense	\$ 4,529.84	\$ 6,430.37	\$ 5,246.58	\$ 6,228.27	\$ 6,509.19	\$ 7,278.55
Net Operating Revenue	\$ 1,571.37	\$ 633.04	3,068.47	3,541.08	3,200.06	4,063.09
Rate Base as of 1926 plus Additions and Betterments installed	\$24,133.00	\$24,747.00	\$26,058.00	\$27,789.00	\$29,559.00	\$31,157.00
Additions and Better- ments to capital in- stalled during year	614.00	1,311.00	1,731.00	1,770.00	1,598.00	5,328.00
7% Allowance Inter- est Return on Rate Base	\$ 1,689.00	\$ 1,732.00	\$ 1,824.00	\$ 1,945.00	\$ 2,069.00	\$ 2,181.00
Surplus Revenue after allowing 7% Interest Return	-118.00	-1,099.00	+1,244.00	+1,596.00	+1,131.00	+1,882.00
Accumulated Surplus Available for Amortization Fund	-118.00	-1,217.00	+27.00	+1,623.00	+2,754.00	+4,636.00

As indicated in the above tabulation, the utility has accumulated during this 6-year period from its net operating revenues, after allowing for interest return on its investment, a total of \$4,636 available for the above mentioned amortization fund. Therefore, the utility has now been fully reimbursed for the value of the properties it was directed to abandon and it

appears that an adjustment of the present metered rates should now be made.

A report compiled from a recent field investigation of this utility and an inspection and detailed analysis of the operating methods and practices and of the book records of the expenditures was submitted at the hearing by H.A. Noble, one of the Commission's hydraulic engineers. The detailed appraisal included in this report shows a total of \$33,795 for the estimated historical cost of the present used and useful properties as of January 1, 1932, and \$576 for the depreciation annuity computed by the six per cent sinking fund method. The Commission's engineer submitted an estimate of \$7,000 for the annual maintenance and operation expenses for the future based on present operating methods and conditions and allowing for the rendering of proper and adequate service to the consumers. No appraisal was introduced by applicant and the report and appraisal by the Commission's engineer was accepted both by the representative of the consumers and applicant. Analysis of the evidence submitted in this proceeding indicates that the following are reasonable and proper annual charges to allow for the operation of this system for the immediate future.

Annual Charges

Maintenance and Operation Expenses-----	\$ 6,700
Depreciation Annuity-----	576
Total Operating Expenses-----	\$ 7,276
Interest Return on a Rate Base of-----	\$33,795

As shown in the above table, the gross revenues obtained from the rates at present in effect totalled \$11,342 in 1931, which would be equivalent to a return of 11.9 per cent on the rate base of

\$33,795. The rate schedule set out in the accompanying Order has been computed from a study and analysis of the 1931 tabulated metered water use taking into consideration the probable growth of the system in the near future and is designed to produce the above total annual charges including a fair and reasonable interest return under normal operating conditions.

O R D E R

The Commission having instituted an investigation on its own motion into the reasonableness of the rates in effect and charged by S.J. Claeys operating under the fictitious firm name and style of Rodeo Water Company, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully informed in the premises,

It is hereby found as a fact that under present operating methods and conditions the rates now charged by said S.J. Claeys for water delivered to his consumers in the town of Rodeo in the County of Contra Costa 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 the service rendered, and

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

IT IS HEREBY ORDERED that S.J. Claeys, operating a public utility water system under the fictitious firm name and style of Rodeo Water Company, be and he is hereby directed to file with this Commission, within twenty (20) days from the date of this

Order, the following schedule of rates, said rates to become effective and to be charged for all service rendered on and after the 1st day of July, 1932.

Metered Rate Schedule

Monthly Minimum Payments for metered service:

For 3/4 and 5/8-inch meters-----	\$1.75
For 1-inch meters-----	3.50
For 1 1/2-inch meters-----	5.50
For 2-inch meters-----	7.00

Monthly Quantity Rates:

For 400 cubic feet or less-----	\$1.75
From 400 to 1,600 cubic feet, per 100 cubic feet-----	.35
From 1,600 to 3,000 cubic feet, per 100 cubic feet-----	.28
All over 3,000 cubic feet, per 100 cubic feet-----	.22

Municipal Use

1. Water used for public buildings, schools and irrigation of parks and grounds to be charged for at the regular metered rates.
2. For all use of water from fire hydrants for sewer flushing purposes by Rodeo Sanitary District:

Per 100 cubic feet per month-----	\$0.35
Minimum monthly payment-----	1.40

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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 6th day of

June, 1932.

C. C. Seavey
Frederic S. Whitely
W. A. Lewis
W. B. Harris
Fred G. Stewart
Commissioners.