

Decision No. 25080

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
CALWA WATER WORKS - Will E. Keller,
owner - for order authorizing an
increase in water rates.

Application No. 18032.

Everts, Ewing, Wild & Everts,
by A.W. Carlson, for applicant.
B.H. Bon, for self and other consumers.
J.A. Zook, a consumer.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

In the above entitled application Will E. Keller, owning and operating a public utility water system under the fictitious firm name and style of Calwa Water Works and supplying water to the residents of Calwa and vicinity, Fresno County, asks the Railroad Commission for authority to increase charges for water service.

Public hearings in this matter were conducted by Examiner Satterwhite at Fresno.

The rates now in effect on this water system were established by the Commission in its Decision No. 21993, dated January 7, 1930, as follows:

METER RATES

Monthly Minimum Charges:

For 5/8-inch meter-----	\$1.00
For 3/4-inch meter-----	1.75
For 1-inch meter-----	2.75

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:

First 10,000 gallons, per 1,000 gallons-----	\$0.20
Second 10,000 gallons, per 1,000 gallons-----	.15
Third 10,000 gallons, per 1,000 gallons-----	.10
Fourth 10,000 gallons, per 1,000 gallons-----	.075
Over 40,000 gallons, per 1,000 gallons-----	.065

FLAT RATES

Existing schedule of flat rates to remain in effect without change.

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The evidence shows that the water development, methods of operation and facilities for the distribution of water remain the same as outlined in the above referred to decision, with the exception that the system is now fully metered and all service is charged on a measured basis. Applicant continues to supply water under contract to The Atchison, Topeka and Santa Fe Railway Company, which in 1931 consumed seventy-seven per cent of all water delivered. The following extract from Decision No. 21993 shows briefly the development of this water works and its general operating practices:

"On October 1, 1911, Will E. Keller entered into a contract with the Santa Fe Railroad to furnish that railroad with water for construction of its terminal and roundhouse three miles south of the city of Fresno and to supply its demands for railroad use. A well, pumping plant and other facilities were installed by Mr. Keller on land owned by the Santa Fe Railroad and service commenced under the contract on October 28, 1911. The original contract has since been amended and service to the Santa Fe Railroad has been rendered continuously since October 28, 1911, under the provisions of the original and amended contracts.

Later, in 1911, a 40-acre tract lying north and

east of the Santa Fe Railroad was subdivided and developed as residence property and the owners of this tract arranged with Mr. Keller for the supply of water to the purchasers of lots within this tract. This arrangement was consummated in 1912 and, in order to designate the public utility service, the name of Calwa Water Works was adopted. Subsequently, other contiguous lands were subdivided and service extended to them until at the present time the service area covers about 160 acres, and in 1928 water was supplied to about 151 consumers other than the supply furnished under private contract to the Santa Fe Railroad.

The evidence shows that the service rendered by this system is dual in character. First, in quantity of use, is the major service rendered to the Santa Fe Railroad under the original contract of October 1, 1911, and the contracts supplemental thereto and for which service the plant was originally constructed. This service to the Santa Fe Railroad was entered into by private contract prior to the dedication of any part of the water supply to the public generally and is therefore private in character and not within the jurisdiction of the Railroad Commission. The second class of service rendered by the system is to the consumers located in and about the town of Calwa, which service clearly is public utility in character and is therefore under the authority of this Commission.

The water supply for this system is derived from two deep wells located on the property of the Santa Fe Railroad. The water is lifted by deep well pumps and placed in a concrete pit, from which delivery is made to the main outlet line on which is located an elevated steel tower and tank immediately adjacent to the pumping plant. Service to the town of Calwa (public utility service) is taken from the pumping plant through 8- and 6-inch transmission lines and distributed through 6- and 4-inch lines, the total length of transmission and distribution lines being about 4.25 miles. Service to the Santa Fe Railroad under the private contract before mentioned is made directly from the pumping plant without passing through or using the distribution system serving the town of Calwa."

Reports were submitted on behalf of applicant by V.G. Barton, bookkeeper, and by F.H. Van Hoesen, one of the Commission's hydraulic engineers, showing the cost of the properties used and useful in the operation of the water system, maintenance and operating expenses for 1931 and revenues for the same period. A summary of these reports is given below:

Burton Van Hoesen

Estimated Original Cost of entire water system	\$34,832	\$37,516
Estimated Original Cost of public utility water system	25,184	-
Depreciation Annuity	3,325	820
Total Operating Expenses - 1931	-	3,205
Operating Expenses - 1931 - chargeable to utility business only	2,052	-
Total Operating Expenses - 1929	-	3,232
Operating Expenses - 1930 - utility business only	-	1,927
Revenues - 1929 - utility business only	-	3,082
Revenues - 1930 - utility business only	-	3,531
Revenues - 1931 - utility business only	3,695	3,695
Revenues - 1931 - non-operative (from Santa Fe)	4,458	-

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From the testimony, it appears that applicant's methods of allocation of capital and operating expense between the service to the Santa Fe Railroad and the utility is not unreasonable at this time; however, the annual depreciation, as shown by applicant's bookkeeper, is computed by the straight line method varying from ten to fifteen per cent and is entirely unreasonable and excessive and not in keeping with the practices of this Commission. The sum of \$820, as estimated by the Commission's engineer, is more fair and reasonable and will therefore be accepted for the purposes of this proceeding.

The evidence clearly indicates that this water works covers a large area which at the present time is sparsely settled. Since 1911 applicant has enlarged the service area greatly by extending mains and pipe lines into newly subdivided tracts. Unfortunately, these tracts have not developed as anticipated with the result that the existing facilities are largely overbuilt and in excess of the normal requirements for existing demand. Under such circumstances, it would be wholly unreasonable to place the

entire burden of maintaining the complete system upon the shoulders of the present users. The evidence submitted indicates that the operations of both utility and non-utility services have resulted in applicant earning a total gross revenue in excess of that which would be considered fair and just by this Commission if both classes of service were public utility in character; however, considering solely that portion properly chargeable to its public utility business, the revenue during 1931 yielded approximately three and a quarter per cent on the capital invested.

Many of the consumers appeared and protested against the granting of a higher rate at this time. Nearly all of the water users are employees of the Santa Fe Railway Company and have either received substantial reductions in their salaries or are now out of work and unable to find any employment whatsoever. Applicant has failed to produce sufficient evidence to warrant an increase in rates at this time. The record in this proceeding as it stands shows that the Calwa Water Works is now making a fair return in its public utility operations upon that portion of its invested capital which may properly be chargeable as reasonably necessary to provide adequate service to its existing water users under present circumstances and conditions.

ORDER

Will E. Keller, owner and operator of the Calwa Water Works, having made application to the Commission as entitled above, public hearings having been held thereon, the matter having been duly submitted and the Commission being now fully advised in the premises,

It is hereby found as a fact that the present effective rates and charges of Will E. Keller, owner and operator of the Calwa Water Works, for water delivered to consumers in and in the vicinity of Calwa, Fresno County, are just and reasonable rates to be charged for the service rendered, and

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

IT IS HEREBY ORDERED that the above entitled application for authority to increase rates be and it is hereby denied.

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 22nd day of August, 1932.

C. Deane
Leon Whittell
W. A. ...
W. B. ...
Fred G. Stewart
 Commissioners.