

Decision No. 25186

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Lassen Municipal Utility District,  
Paul J. Hopper, Grover C. Julian,  
J. B. Leavitt, et al.,

Complainants,

vs.

California Utilities Company, a  
corporation,

Defendant.

**ORIGINAL**

Case No. 3182.

Grover C. Julian, for complainants.

J. A. Pardee and Orrick, Palmer and  
Dahlquist by Hillyer Brown, for defendant.

STEVENOT, COMMISSIONER:

O P I N I O N

This is a complaint filed by Paul J. Hopper and more than twenty-five other consumers against California Utilities Company, a corporation, operating a public utility water system which furnishes water for domestic, commercial and industrial purposes in and in the vicinity of Susanville in Lassen County.

Complainants allege that the rules, regulations and practices of defendant in its water operations and the schedule of rates charged for water service are unjust, unreasonable and discriminatory. The Railroad Commission therefore is requested to investigate these matters and establish just, reasonable and

non-discriminatory rates, rules and regulations.

The answer of defendant denies that the rates, rules, regulations, or practices of defendant, or any thereof, are unjust, unreasonable or discriminatory and asks that the complaint be dismissed.

Public hearings in this proceeding were held before Commissioner Stevenot in Susanville on June 8 and 9, 1932, when evidence was introduced and the matter submitted for decision on briefs.

The water supply of this utility is obtained from twenty-one springs, which produce from two and one-quarter to two and one-half cubic feet of water per second, located approximately three miles west of Susanville. Transmission is by gravity through open ditch and pipe line to four storage tanks of a combined capacity of 330,000 gallons, from which delivery is made by gravity to approximately 930 consumers. Approximately ninety-four per cent of the services on the system are metered.

The following rates now in effect were accepted for filing by the Railroad Commission on January 7, 1924. The flat rates listed are only a part of the entire schedule.

MONTHLY FLAT RATES  
(In Part)

Residence rates for five rooms or less.....	\$0.90
For each additional room.....	.15
Private bathtubs.....	.20
Private toilets.....	.10
Irrigation of lawns, etc., per 100 square feet.....	.02

Other flat rates vary with the size and  
water requirements of the premises.

METER RATES

Monthly minimum for any use.....	\$1.00
1. For use between 0 and 1,000 cubic feet per month 20¢ per 100 cubic feet.	

2. For use between 1,000 and 2,000 cubic feet per month 15 ¢ per 100 cubic feet.
3. For use between 2,000 and 30,000 cubic feet per month 10¢ per 100 cubic feet. \*\*
4. For all use above 30,000 cubic feet per month, except as hereinafter set forth, 5¢ per 100 cubic feet. \*\*

All use above 1,000 cubic feet per month for irrigation purposes 5¢ per 100 cubic feet. \*

\* Decision No. 5552, dated July 3, 1918, Application No. 3521.

\*\* Rates to be charged to Lassen Lumber and Box Company.

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Complainants presented no evidence and the evidence submitted by defendant was limited to testimony with respect to the value of the water rights, the cost of securing customers, the cost of organizing the company and the rate of return which would be fair and reasonable for California Utilities Company.

The Commission's engineers presented testimony, supported by exhibits, with respect to rate base, an appraisal having been made on the original cost basis, a detailed analysis and estimate of revenues, maintenance and operating expenses of the company for the year 1932 and an estimate of depreciation expense on the six per cent sinking fund basis. The appraisal showed the cost of the property as of December 31, 1931, to be \$147,025. This sum included an amount of \$3,640. as the estimated cost of the water rights, this sum being the difference between the estimated reasonable cost of the land on which the springs from which the water distributed is obtained and the value of such land without the springs.

The company presented three witnesses on the subject

of value of water rights who testified to various values, the highest being \$50,000. On brief the defendant claimed that \$35,000. would be a conservative value to assign to these water rights. The facts and reasoning presented either by testimony or on brief have not convinced me that it would be proper to include in the rate base any sum for water rights in excess of their estimated cost, which amount was included in the appraisal by the Commission's engineer.

The attorney for the company testified that the cost of organizing the California Utilities Company was \$1,655.50 and that this sum had never been set up on the books of the company. He was unable to state, however, whether the cost of organizing predecessor companies had been reflected on the books of such company.

J. A. Ward, president of the company, testified that it cost from five to ten dollars per customer to attach consumers to such utility properties and that any such costs as had been incurred by this company had been charged to operating expense. On brief a claim of \$5,000. for going concern value was advanced on the basis of that testimony.

To the amount found as the reasonable cost of tangible physical property must be added an allowance for materials and supplies, cash working capital and an allowance for additions and betterments made subsequent to the date of appraisal. Considering the entire record in this proceeding relative to the subject of the rate base, I am of the opinion that the sum of \$152,000. represents a fair and reasonable rate base, including tangible and intangible property, for California Utilities Company for the year 1932 and is an appropriate sum to be used in

testing the reasonableness of the rates to be established herein.

The operating revenue of the company for the year 1931 was \$31,498., and it was estimated that, under existing rates, a similar amount of revenue would be derived in the year 1932. Maintenance and operating expenses, including depreciation, taxes and an allowance for uncollectible bills, were estimated to be \$15,481. for the year 1932. No criticism of these estimates was offered by complainants or defendant and I find them to be reasonable estimates for the purposes indicated. The foregoing figures indicate a sum of \$16,017. available for a return on a rate base herein found reasonable of \$152,000., or more than 10.5 per cent.

California Utilities Company is owned by the same organization that owns Lassen Electric Company, which furnishes electric service in the same area, and the two properties are jointly operated.

R. L. Cross testified for the utility that, in his opinion, a rate of return of ten per cent would be necessary for this utility "to be able to expand and to obtain capital at reasonable rates." What was said by this Commission with respect to a reasonable rate of return required for Lassen Electric Company in Decision No. 25114, Hopper, et al. v. Lassen Electric Company, is equally applicable to this property in view of the existing conditions. I am of the opinion that such reduction in rates for water service is warranted as will secure to the owners of this property a return of approximately 7.75 per cent on the rate base herein found reasonable and the rates herein provided are just and reasonable rates.

I recommend the following form of Order.

O R D E R

Lassen Municipal Utility District, Paul J. Hopper, Grover C. Julian, J. B. Leavitt, et al., having filed the complaint as above entitled, 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 the rates and charges of the California Utilities Company for water delivered to consumers in and in the vicinity of the town of Susanville, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates and charges 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 by the Railroad Commission of the State of California that California Utilities Company, a corporation, be and it is hereby authorized and directed to file with this Commission, within twenty (20) days from the date of this Order, the following schedule of rates, said rates to be charged for all service rendered subsequent to the 30th day of September, 1932.

MONTHLY FLAT RATE SCHEDULE

1. Apartment houses, boarding houses, lodging houses, hotels:
  - a. Dining rooms.....\$1.50
  - b. Bedrooms, per room..... .15

2.	Auto repair shops, blacksmith shops, printing offices, shoe shops, plumbing shops, undertaking parlors, photograph galleries, railroad stations, dental offices and theatres.....	\$1.50
3.	Bakeries, bottling works, butcher shops, drug stores, public garages, slaughter houses, saloons and creameries.....	2.50
4.	Bank offices, billiard parlors, fraternal halls, professional offices, stores and shops, not otherwise listed.....	.75
5.	Barber shops, per chair.....	.75
6.	Breweries and laundries.....	5.00
7.	Chop houses, cafes and restaurants, per unit of seating capacity.....	0.10
8.	Livery stables and feed yards, per average number of stock fed, each.....	.20
	Per average number of vehicles, each.....	.20
9.	Ice plant.....	7.00
10.	School buildings.....	4.00
11.	For county hospital, jail, court house and hall of records.....	15.00
12.	The Town of Susanville:	
	a. Fire Department quarters.....	1.50
	b. Street sprinkling, per one hundred square feet.....	.02
	c. Sewer flushing:	
	(1) Automatic flushing tank, each.....	3.00
	(2) By use of fire hydrants and hose per hour.....	1.00
	d. Fire hydrants:	
	(1) Fire service minimum.....	18.50
	(2) Hydrants on mains 4 inches and larger, each....	1.50
	(3) Hydrants on mains smaller than 4 inches, each..	.25
13.	Residence rates for five rooms or less.....	.90*
	For each additional room.....	.15*
14.	Private garages provided with water tap.....	.50
15.	Private barns with not more than two horses or cows... Each additional animal.....	.50 .15
16.	Auxiliary Uses:	
	a. Steam engines, per horsepower.....	.10
	b. Soda fountains and ice cream parlors.....	1.50
	c. Public bathtubs (barber shops, hotels, etc.,) each..	1.50
	d. Private bathtubs.....	.20
	e. Public and semi-public toilets and urinals, each...	.50

16. Auxiliary Uses: (Continued)

f. Private toilets.....	\$0.10
g. Irrigation of lawns, shrubbery and gar- dens, private or public, per 100 square feet (nearest measure).....	.02
h. Steam heating plants.....	2.00
i. Refrigerating plants.....	2.00
j. Public drinking fountains.....	1.50
k. Public water troughs.....	2.50

17. Cobbler shops (special rate)..... .75

\* Decision No. 5552, dated July 3, 1918,  
Application No. 3521.

METER RATES

Minimum Monthly Charges:

5/8-inch meter.....	\$1.00
3/4-inch meter.....	1.50
1-inch meter.....	2.50
1 1/2-inch meter.....	3.50
2-inch meter.....	5.00
3-inch meter.....	9.00
4-inch meter.....	15.00
5-inch meter.....	20.00
6-inch meter.....	25.00

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:

First	600 cubic feet, per 100 cubic feet.....	\$0.16 2/3
Next	1,400 cubic feet, per 100 cubic feet.....	.14
Next	28,000 cubic feet, per 100 cubic feet.....	.08
All over	30,000 cubic feet, per 100 cubic feet.....	.05

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IT IS HEREBY FURTHER ORDERED that California Utilities Company, a corporation, be and it is hereby directed to file with



this Commission, within thirty (30) days from the date of this Order, rules and regulations governing relations with its consumers, said rules and regulations to become effective upon their acceptance for filing by the Commission.

The effective date of this Order, for all other purposes, shall be twenty (20) days from the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 19th day of September, 1932.

CC Deary  
Leon Whittier  
W. A. Carr  
M. B. Harris  
Fred G. Stewart  
Commissioners.