

Decision No. 10008.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
THE CALIFORNIA-OREGON POWER COMPANY,)
a corporation, for an order readjust-)
ing and fixing its rates and charges)
for water service in the town of)
Dunsmuir and vicinity.)

Application No. 6441.

ORIGINAL

Morrison, Dunne and Brobeck, by E. S. Taylor.
Tapscott and Tapscott, by James R. Tapscott.
Taylor and Tebbe, by R. S. Taylor, for applicant.
Henry McGuinness, for Board of Trustees of
Town of Dunsmuir.
A. L. Shoupe, for The Labor Council.

BY THE COMMISSION.

O P I N I O N

The California-Oregon Power Company, a corporation, applicant in the above entitled matter, is a public utility engaged in the business of generating and selling electric energy in Southern Oregon and Northern California and in the operation of water systems supplying water for domestic, commercial and industrial purposes in the town of Klamath Falls, Oregon, and the town of Dunsmuir and vicinity, Siskiyou County, California. Applicant alleges that the present rates charged consumers in the town of Dunsmuir and vicinity have been in effect since July 1, 1914, and have never been fixed by the Commission; that during the last three years the cost of labor, materials and supplies has greatly increased; and that applicant is not earning a fair return upon its investment. The Commission is therefore asked to establish rates which will yield an adequate return for the service rendered.

Public hearings in the matter were held before Examiner Westover in Dunsmuir and in San Francisco, and all interested parties were given an opportunity to be present and to be heard.

The present water plant is a consolidation of two systems which originally served the town. The Mossbrae Falls Water and Power Company, hereinafter referred to as the "Van Fossen System", was first operated in 1888, being acquired some years later by F. B. Van Fossen. The principal source of supply for this system was from springs located near the Shasta Springs Resort, about three miles from Dunsmuir, being delivered by means of a flume and pipe line. In 1910 this system was sold to J. P. and J. W. Churchill and A. J. Rosborough for a sum stated to have been \$13,000.

The Dunsmuir Water Light and Power Company was organized about 1903 and during that year constructed a water system with a diversion dam on Bear Creek from which water was transmitted by gravity through an 8-inch vitrified clay pipe line to a concrete reservoir in Dunsmuir. In 1906 this company installed an 8 and 10-inch riveted steel transmission main, now known as the "low-line", bringing water from a spring located near the springs of the Van Fossen System.

Shortly after the acquisition of the Van Fossen System, the new owners transferred their interests therein to the Dunsmuir Water, Light and Power Company, of which concern they were also part owners, and the two water systems were then consolidated under one management and ownership.

In 1912 The California-Oregon Power Company purchased the consolidated water system through the agency of the Siskiyou Electric Power and Light Company. After acquiring the properties, The California-Oregon Power Company replaced the flume on the Van Fossen System with a 12-inch riveted steel pipe line, which is now known as the "high line".

At present the system receives its principal supply of water

from the springs, three of which supply the high line and have a combined capacity of approximately eight and two-tenths cubic feet of water per second. The low line spring supplies about one and seven tenths cubic feet per second. In addition to these springs there is the Bear Creek Line which has a capacity of approximately one cubic foot of water per second. This line was not in use at the time of the hearings. The total quantity of water produced by the four springs and the Bear Creek supply is approximately ten and nine-tenths cubic feet per second, or 7.04 million gallons per day.

The concrete reservoir has a storage capacity of 392,600 gallons, and the distribution system consists of approximately 37,380 feet of standard screw pipe and casing varying from one inch to eight inches in diameter, the most of which, however, is from four to eight inches in size. All transmission and distribution of water, with the exception of one small booster pump, is by gravity.

There are no meters on the system, all charges being at flat rates. On December 31, 1920, there were 600 consumers and on November 1, 1921, there were 671.

The present rates for ordinary domestic or household use, range upward from \$1.50 per month for a residence occupied by one family. This amount includes toilet and bath and allows for the irrigation of 7,500 square feet of lawn or garden.

On behalf of the applicant Mr. R. E. Child, civil and hydraulic engineer, submitted a report and appraisal of the water system showing an estimated original cost, as of January 31, 1921, of the physical properties, including such intangibles as organization expenses and working capital, of \$84,284, and a depreciation annuity of \$1,607 calculated by the sinking fund method at 6%. In addition to this Mr. Child estimated the cost of the water rights at \$38,333, making a total estimated original cost of \$122,617.

Mr. M. R. MacKall, one of the Commission's hydraulic

engineers, submitted a report in which the estimated original cost of the used and useful physical properties, exclusive of organization expenses, working capital, and cost of water rights, as of March 1, 1921, was shown to be \$66,076, and the depreciation annuity \$1,022, computed by the sinking fund method at 6%. This report also recommended the sum of \$6,454 as a reasonable allowance for the annual maintenance and operating expense for the immediate future.

Mr. F. B. Phelps, auditor for the applicant, submitted a report in which the estimated maintenance and operating expense, exclusive of depreciation, for the year ending December 31, 1921, was shown as \$13,019. This estimate was based upon costs for the first seven months of the year.

The most important differences in the estimated original costs of the physical properties, as shown by Mr. Child and Mr. MacKall, are due to the exclusion by the latter of the Bear Creek diversion dam and transmission line as non-operative, and a deduction of seventy-five per cent of the cost of the reservoir on the ground that it does not properly function with the distribution system.

While it is apparent that this reservoir has not been utilized to its full capacity in the past, nevertheless such a storage reservoir is of vital importance, for fire-protection and emergency purposes, and is a necessary adjunct to the system. For those reasons the original cost of the entire structure is allowed upon the condition that it be so connected with the distribution system as to provide automatically regulated service up to its reasonable maximum capacity.

The evidence clearly indicates, however, that with the large volume of water developed by the springs, the Bear Creek diversion dam and transmission line perform no necessary or useful service to the system at present.

Considerable testimony was introduced concerning the

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estimated cost and so-called "values" of the water rights owned or controlled by the applicant. Mr. F. B. Van Fossen, former owner of a part of the system, estimated that the water rights of the three springs supplying the high line were worth \$2,000 in 1912, and that the water rights of the low line spring were worth not to exceed \$2,000, making a total of \$4,000 for the four springs. Mr. Child, on behalf of the applicant, estimated the cost of the water rights as of 1912 at \$38,333, which includes one second foot of water in Bear Creek, not embraced in the estimate of Mr. Van Fossen. This estimate is derived by taking the depreciated value in 1911 of the physical properties of the Van Fossen System at the arbitrary figure of \$1,500 and deducting this amount from the purchase price of \$13,000 for the entire property, to which was added \$540 as the estimated "value" of free water to be delivered to the former owners of the system. This method results in an estimated cost of water rights of slightly over \$12,000, which Mr. Child assumes was the amount paid for 3.75 second feet of water and represents a cost of approximately \$3,200 per second foot. This estimated cost was then applied to the present yield of all four springs, or 9.9 second feet, giving \$31,631, to which was added \$3,217 for one second foot of water developed at Bear Creek. The final addition of 10% for overhead charges gives a grand total of \$38,333.

Mr. C. E. Blee, a civil engineer and employee of the applicant, submitted an appraisal of the water rights based upon his estimate of \$54,263 as the depreciated value of the system at the date of purchase by the applicant in 1912, deducted from the reported purchase price of \$89,300, leaving a difference of \$35,037 as the cost of the water rights.

The total quantity of water claimed by applicant, including the Bear Creek supply, is 10.9 second feet, which is equivalent to 7.04 million gallons daily. The 1920 census gives the population

amounting to 2,687 gallons daily. Excluding the Bear Creek diversion, the per capita used would amount to 2,531 gallons daily. Both of these quantities indicate an unrestricted and wasteful use of water, and it is apparent that it would be unreasonable to compel the consumers to pay a full return upon the costs of water rights covering a supply sufficient to care for the requirements of a much larger population than is found at Dunsmuir.

It is not necessary at this time to pass upon the rights of diversion from Bear Creek as it necessarily follows that such rights would be excluded as non-operative along with the other Bear Creek properties.

It is evident that the right to divert water from the springs supplying this system was secured by actual expenditures of money by applicant or its predecessors, also that the total of such expenditures lies somewhere between \$4,000 and \$38,333. An allowance will, therefore, be made in the rate base herein established to cover reasonable expenditures incurred in the acquisition of such rights of diversion.

Analysis of the estimate of operating expense submitted by the applicant indicates that a very considerable portion of the cost is made up by charging to this water system a large proportion of the expenses of the various offices and departments of The California-Oregon Power Company located outside of the town of Dunsmuir, and it is evident that a localized management of the system would result in economies in operation.

The evidence shows that since the preparation of the report of the Commission's engineer the tax rate has been increased so that this item in his report should be increased.

After a careful consideration of all the evidence submitted, it appears that \$7,000 is a reasonable annual maintenance and operating expense; that a fair rate base for the purpose of this proceeding

is \$80,000; and that \$1,100 should be allowed for depreciation annuity. The annual charges based upon the foregoing items are then as follows:

Return at 8% on \$80,000.....	\$ 6,400
Depreciation Annuity.....	1,100
Maintenance and Operating Expense.....	<u>7,000</u>
Total Annual Charges.....	\$14,500

The revenues for 1920 were \$12,054 and the estimated revenues for the year 1921, based upon available information, will very closely approximate \$13,490.

It is apparent that the applicant is entitled to an increase in rates, and the schedule established in the following order is designed to produce approximately the annual charges, at the same time eliminating any discrimination which may have heretofore existed, and to establish rates which are fair and equitable for the service rendered.

ORDER

The California-Oregon Power Company, a corporation, having made application to the Railroad Commission as entitled above, public hearings having been held thereon and the matter having been submitted;

IT IS HEREBY FOUND AS A FACT that the rates now charged by The California-Oregon Power Company for water supplied to its consumers in Dunsmuir and vicinity 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 such service.

And basing the order upon the foregoing finding of fact and upon the 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 The California-Oregon Power Company 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 for water delivered to its consumers in Dunsmuir and vicinity, such rates to be effective for water supplied subsequent to January 31, 1922.

RATE SCHEDULE

1. Residences, apartments, flats and tenements of three rooms or less occupied by a single family.....	\$1.00
For each additional room.....	.10
Additional for each flush toilet or bathtub.....	.10
For each private garage and one automobile.....	.15
For each horse or cow.....	.25
2. Sprinkling or irrigation per square yard of surface actually irrigated:	
Lawns.....	.004
Gardens.....	.0025
Orchards.....	.0020
3. Offices, for each room with water tap except doctors' and dentists' offices.....	.25
4. Doctors' and Dentists' offices, not exceeding two rooms with water tap.....	.75
For each additional room with water tap.....	.25
5. Drug Stores.....	1.75
6. Photograph Galleries.....	1.75
7. Barber Shops, one chair.....	1.25
For each additional chair.....	.25
8. Soda fountains, soft drink establishments and ice cream parlors either alone or in connection with other business.....	1.75
9. Bakeries and Butcher Shops.....	2.00
10. Stores, shops, theatres and churches.....	1.50
11. Public garages.....	2.50
12. Rooming houses, less than 10 rooms.....	2.00
Rooming houses from 10 to 15 rooms.....	2.50
13. Public Halls, Lodge or Club rooms.....	1.50
14. Bathing establishments, either alone or in connection with barber shops, for one tub.....	.75
For each additional tub.....	.50
15. Bathtubs in rooming houses.....	.20

16. Toilets, for public use.....	\$ 0.25
17. Toilets in rooming houses, stores and buildings not otherwise provided for.....	.20
18. Public drinking fountains in any place.....	.50
19. Water motors for household use.....	.25
20. Water cooled refrigerators, for each month in use:	
Drip type.....	.25
Coil type.....	.50
21. <u>Building Work:</u>	
For mortar and to dampen brick per 1,000 brick.....	.15
For cement work and plastering, for each barrel of cement or lime used.....	.10
22. Water for all purposes or establishments not herein specified including hotels, rooming houses, laundries and restaurants, charged for at meter rates.	
23. Motors may be installed at the request of any consumer or at the option of the utility.	

PUBLIC USE

Fire Hydrants:

1. 2-inch and 2½-inch, each per month.....	\$.50
4-inch one outlet; each per month.....	1.00
4-inch two outlets, each per month.....	1.10
6-inch two outlets, each per month.....	1.25
2. Sprinkling roads and streets by the town or county measured by wagon, or truck, tank capacity, per 100 cubic feet.....	.05
3. All other municipal use of water at the regular meter rate.	

Metered Use:

MONTHLY MINIMUM CHARGES

For 5/8-inch meters.....	\$ 1.00
For 3/4-inch meters.....	1.25
For 1 -inch meters.....	1.50
For 1½-inch meters.....	2.00
For 2 -inch meters.....	3.00
For 3 -inch meters.....	4.00

MONTHLY QUANTITY RATES

First 1000 cubic feet, per 100 cubic feet.....	.15
For the next 2000 cubic feet, per 100 cubic feet.....	.13
All use over 3000 cubic feet, per 100 cubic feet.....	.10

IT IS HEREBY FURTHER ORDERED that the collection of the rates set out in the schedule herein authorized is expressly condi-

tioned upon the installation by The California-Oregon Power Company of such necessary regulating, or balancing valve, or such other connection at the Bear Creek Reservoir as will provide automatic and continuous service to the distribution system; this improvement to be installed and in operation in a manner satisfactory to this Commission as soon as conditions will permit, but in no case later than March 1, 1922.

IT IS HEREBY FURTHER ORDERED that The California-Oregon Power Company be and it is hereby directed to file with this Commission within thirty (30) days from the date of this order rules and regulations to govern relations with its consumers, such rules and regulations to become effective upon their acceptance by this Commission.

Dated at San Francisco, California, this 20th day of January, 1922.

H. P. Bingham
H. J. Loveland
Irving Martin
Charles J. Hoover

Commissioners.