

Decision No. 10177.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of the)
CONSOLIDATED WATER COMPANY OF POMONA,)
a corporation organized under the laws) Application No. 6409.
of the State of California, asking for)
a hearing in regard to increasing rates.)

Haas and Dumnigan, by Walter F. Haas,
for applicant.

J. A. Allard, City Attorney, for the
City of Pomona.

BY THE COMMISSION.

O P I N I O N

This is an application asking for authority to increase rates made by Consolidated Water Company of Pomona, a public utility engaged in the business of supplying water for domestic and irrigation purposes in Los Angeles and San Bernardino Counties, in and in the vicinity of Pomona.

The application alleges in effect that in order to adequately supply consumers it is necessary to build additional reservoirs, new pipe lines, wells and pumping plants, and to incur additional expenditures in connection with the protection of its water supply and rights; and that because of increased costs of labor and materials its operating expense has greatly increased. The Commission is therefore asked to grant a hearing as to its needs and requirements regarding necessary in-

crosses in rates charged consumers.

A public hearing in this matter was held at Pomona, before Examiner Satterwhite, of which all interested parties were notified and given an opportunity to be present and to be heard.

The Consolidated Water Company was organized in 1896, taking over at that time the water producing properties of Messrs. Fleming, Becket and Brady and the properties of the Pomona City Water Works, the Citizens Water Company, and the Pomona Land and Water Company. In 1921 the water system owned by Nemaha Land Company was acquired and is now operated as a part of applicant's property.

The Pomona Valley Protective Association, of which this utility is a member, was incorporated in 1909 by various individuals and corporations for the purpose of protecting their water rights by means of litigation, and by the acquisition of lands. The association has also built a dam and channels for the diversion and spreading of water over its property in order to assist in the replenishment of the underground storage. Expenses incurred in this work have resulted in decided improvement in water supply conditions throughout the area affected and this utility's proportion of such expense is a legitimate charge against the cost of procuring its water supply.

This system consists of collecting tunnels, having a total length of 3916 feet, constructed through water bearing lands; nine wells and pumping plants in use, two of which are in the tunnels; two concrete reservoirs of a combined capacity of 1,800,000 gallons; 35,721 feet of transmission pipe lines from 6 to 20 inches in diameter; 443,385 feet of distribution pipe lines from 1 to 14 inches in diameter; and 4136 services of which 3415 are metered. The supply derived from the tunnels and wells

is stored in the reservoirs and from there distributed to the consumers. In addition to the foregoing facilities, there is a fire system in the City of Pomona having a total length of 26,655 feet, composed of cast iron and riveted steel pipe ranging in size from 6 to 12 inches in diameter.

The present rates charged by the utility were established by the City of Pomona before this Commission was given jurisdiction over such matters, and this is the first instance in which the Commission has been asked to establish rates for applicant. Such other proceedings before the Commission in which the utility has been involved have consisted of applications for authority to issue notes or bonds, to sell real estate, and to acquire a water system.

The present rate schedule may be briefed as follows:

MONTHLY METER RATES

5/8 or 3/4 inch meter, entitling consumer to 600 cubic feet of water	\$1.00
1 inch meter, entitling consumer to 900 cubic feet of water	1.50
1 1/2 inch meter, entitling consumer to 1050 cubic feet of water	1.75
2 inch meter, entitling consumer to 1200 cubic feet of water	2.00
For all water used between the above monthly minima and 2500 cubic feet, per 100 cubic feet.	0.10
For all water used in excess of 2500 cubic feet, per 100 cubic feet.	0.08

Certain exceptions to those rates exist as follows:

Southern Pacific and Salt Lake Railroads:	
First 1,500,000 cubic feet, per 100 cubic feet.	\$0.06
Over 1,500,000 " " " " " "	0.0525
Pomona Valley Ice Company:	
Per 100 cubic feet.	0.06
Public Schools	0.05

A schedule of flat rates is also in effect, ranging from \$0.75 per month upward.

At the hearing of this matter Mr. Willis S. Jones, on behalf of applicant, and Mr. F. E. Van Hoesen, one of the Commission's hydraulic engineers, presented reports setting forth estimates of original cost of the water system, depreciation annuity, and maintenance and operating expense for the future. The results of these presentations are summarized as follows:

Items	: Willis S. Jones :	: F.E. Van Hoesen
Physical Properties	\$519,154	\$489,325
Lands, Rights of Way, etc.	55,245	*
Water Rights	133,988	*
Working Capital	10,000	6,000
Going Value	43,000	0
Total Estimated Original Cost	\$761,387	\$495,325 #
* Not included in report submitted.		
# Does not include lands, rights of way or water rights.		
Depreciation Annuity	8,661	8,383
Maintenance and Operating Expense	65,630	45,756

It appears that Mr. Jones' estimates of original cost of the system, with the exception of "going value" and working capital, are based upon records of actual expenditures, also that the unit costs used are reasonable. The testimony indicates that there has been actually expended for capital installation, including replacements, since the organization of the company in 1896, the equivalent of at least \$708,000. It was shown, however, that this amount does include the cost of certain replacements and of properties which have been disposed of by sale, but the proper deduc-

tion to be made in order to obtain the actual cost of the used and useful property as it now exists could not be determined from the testimony submitted nor from the records of the utility.

Both Mr. Jones and Mr. Van Hoesen have calculated depreciation annuities upon the sinking fund method at 6 per cent., and are substantially in accord as to results. Careful consideration of the evidence indicates that \$8,500 should be allowed for this purpose.

Maintenance and operating expense for the future was estimated by Mr. Jones at \$65,630 per year, while Mr. Van Hoesen presented an estimate of \$45,756 based largely upon costs in 1920 with adjustments for items he considers as proper deductions. It appears that the president and general manager and secretary of the utility devote a very small portion of their time to the actual business of the water system and have many outside interests. It also appears that prices of materials and power have decreased since 1920. Applicant contends, however, that the number of consumers has largely increased and that extensive litigation, with a view to the protection of its water rights, will require the expenditure of larger sums than in the past. In view of all the circumstances it is believed that an allowance of \$50,000 per year will be an ample allowance for maintenance and operating expense for the immediate future.

Revenues from the sale of water, including Nemaha Land Company's system, have been as follows:

1919.	\$77,965
1920.	84,594
1921 - January to July inclusive. . .	47,835

Results of operation based upon the foregoing allowances for depreciation annuity and maintenance and operating expense, and upon 1920 revenues would be as follows:

Revenues 1920	\$84,594
Expense:	
Depreciation Annuity	\$8,500
Maintenance and Oper- ating Expense.	50,000
Total Expense	<u>58,500</u>
Net Revenues.	\$26,094

This is equivalent to an 8 per cent. return upon \$326,175. or \$163,150 less than Mr. Van Hoesen's estimate of original cost of physical properties only. It is therefore apparent that the utility is entitled to an increase in rates.

As this system covers a large area, portions of which are very sparsely settled, and as many of the streets are traversed by parallel pipe lines installed by the former competing water systems now consolidated into one, it is apparent that a rate sufficiently high to give a full return upon the total cost of the system would unduly burden the present consumers. It will therefore, at this time, be unnecessary to discuss in greater detail the matter of water rights and other items claimed by applicant as proper inclusions in rate base.

The rate schedule set out in the accompanying order will be designed to yield sufficient revenue to cover maintenance and operating expense, depreciation annuity, and a fair return upon a reasonable rate base.

O R D E R

Consolidated Water Company of Pomona having made application as entitled above, a public hearing having been held thereon, briefs having been filed, and the Commission being fully inform-

ed in the matter,

It is hereby found as a fact that the rates now charged by Consolidated Water Company of Pomona, for water delivered to consumers in and in the vicinity of Pomona, 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 for such service.

And basing the order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Consolidated Water Company of Pomona be and the same 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 to be charged for water delivered to its public utility consumers in and in the vicinity of Pomona, effective for all water delivered subsequent to March 31, 1922, or the meter reading period next preceding that date:

METER RATES

Monthly Minimum Charges:

5/8 inch meter	.....	\$1.25
3/4 " "	.....	1.50
1 " "	.....	2.00
1 1/2 " "	.....	2.50
2 " "	.....	3.00
3 " "	.....	4.00
4 " "	.....	5.00

Monthly Charges for Water Consumed:

From 0 to 500 cubic feet, per 100 cubic feet.	\$0.25
" 500 to 5000 " " " " " "	0.15
Over 5000 " " " " " "	0.08

MONTHLY FLAT RATES

1. Residences, boarding houses, apartments, lodging houses, tenements and flats of five rooms or less, including toilet and bath \$1.50
- For each additional room10
- " " " bath tub25

	For each additional toilet	\$0.25
	Additional for each private garage and one automobile . . . . .	.25
	For each additional automobile . . . . .	.25
	Additional for private barn, with not more than two horses or cows. . . . .	.50
	For each additional horse or cow . . . . .	.20
2.	Sprinkling or irrigation of lawns, shrubbery, trees, gardens, etc., per square yard of surface actually irrigated . . . . .	.003
3.	Blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, grocery stores, theaters, warehouses, butcher shops and large stores	2.00
4.	Drug stores, dental offices and photograph galleries.	3.50
5.	Bottling works, creameries, slaughter houses and laundries	5.00
6.	Banks, professional offices, billiard parlors, fraternal halls, clubrooms, churches, plumbing shops, stores and shops not otherwise listed	1.50
7.	Office buildings, for each room. . . . .	.50
8.	Restaurants, chop houses and cafes, per unit seating capacity . . . . .	.15
9.	Livery stables and feed yards per average number of stock fed, each. . . . .	.25
10.	Barns in connection with stores, shops, etc., not more than two horses . . . . .	.50
	For each additional horse. . . . .	.20
11.	Public garage, six automobiles or less	3.00
	For each additional automobile . . . . .	.50
12.	Soda fountains and ice cream stands, either alone or in connection with other business.	2.50
13.	Barber shops, per chair.	1.00
	Additional for each bath tub	1.00
	" " " toilet . . . . .	.50
14.	Hotels:	
	Dining room.	2.00
	Bedroom and running water. . . . .	.25
	Each bath tub. . . . .	.50
	Each toilet. . . . .	.30
15.	Building work:	
	For mortar and to dampen brick, per 1000 brick . . . . .	.35
	For cement work, each barrel . . . . .	.15

All uses not specified above to be charged at meter rates. Meters may be installed upon any service at the option of either the consumer or the utility.

MUNICIPAL RATES

For each fire hydrant attached to mains of 4 inches diameter or larger, per month \$1.00

For each fire hydrant attached to mains of less than 4 inches diameter, per month 0.50

All other municipal charges at the meter rates.

IT IS HEREBY FURTHER ORDERED that Consolidated Water Company of Pomona 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 the distribution of water to its consumers, such rules and regulations to become effective upon their acceptance by the Commission.

Dated at San Francisco, California, this 11th day of March, 1922.

H. B. Brundage
H. D. Loveland
J. W. Martin
W. A. Brown
J. S. Hender
Commissioners.