

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

ORIGINAL

Decision No. 1460

In the Matter of the Application of)
the BOLINAS WATER & POWER COMPANY)
for Permission to Revise Rates for)
Domestic Water Service.)

Application No. 895.

N. P. Yost and Sherman R. Smith for
Bolinas Water & Power Company

John F. Locke for Consumers.

GORDON, COMMISSIONER:

REPORT OF THE COMMISSION.

This application was filed with the Commission subsequent to the investigation of a number of informal complaints in regard to the adequacy of service rendered by the Bolinas Water & Power Company, particularly during the summer of 1913.

In answer to these complaints the proprietors of the Bolinas Water & Power Company had raised the issue that their returns were inadequate and that without increased returns and proper regulations of amounts of water now used by a number of consumers under flat rates it would be impossible to render more adequate service than in the past.

This Company obtains its water supply from Cronin Gulch and transmits its supply to the village of Bolinas through a 4-inch pipe and distributes it through two-inch pipe lines among its consumers. It has installed an equalizing tank of 50,000 gallons capacity at practically the highest level to which it serves water, and as well has installed a 10,000 gallon tank, which was used for the purpose of filling sprinkling wagons used in the maintenance of County roads.

A hearing was held in this matter in San Francisco on January 2, 1914, and at the same time and place a hearing was also conducted in Case No. 491, being the complaint of Florence Locke vs. Bolinas Water & Power Company, alleging inadequate supply of water and inefficient equipment, in which case it was stipulated that the information obtained should be used in deciding upon the application.

The right to obtain water in Cronin Gulch by this Company was based upon an agreement, the life of which supposedly would terminate in April, 1914. This agreement was by and between the heirs of Samuel S. McCurdy, party of the first part, and Sherman R. Smith and Nicholas P. Yost, parties of the second part; and in effect grants an option to the parties of the second part to purchase at the rate of \$25.00 per acre, a certain part of the watershed of Cronin and Union Gulches in Marin County. The land to be purchased was described only in part, and was to be measured by an engineer chosen by the two parties.

It was agreed that the parties of the second part should also pay, during the life of this option and agreement, 20% of the gross proceeds obtained from the sale of water taken from these Gulches. An indefinite provision of the agreement appeared to allow the parties of the second part a further option of 5 years, under which, however, the party of the first part might sell and could demand the surrender of all claim upon the watershed area.

It was found that the agreement had no date excepting that upon the back of the cover there appears the wording:

"Date: April 1909."

There was no affirmation of any of the several signatures excepting that of Sherman R. Smith dated November 6, 1913; nor was the agreement recorded until November 7, 1913.

It is claimed by both the utility and its consumers that this is the most logical source of supply, and in fact, practically the only reasonable satisfactory source available for the village of Bolinas. However, in view of the arrangement or agreement then in effect, and the further fact that the estate from which this water supply is obtained had passed to one C. H. McMaster, who also is deceased, a request was made during the course of the hearing that this very indefinite status of the right to divert water for use in Bolinas be immediately cleared up, either by purchase or by a definite form of agreement with the existing heirs of C. H. McMaster.

The evidence is deemed to have established beyond doubt the fact that at least during 1913 the service by this Company was entirely inadequate, at least in certain portions of the village of Bolinas. It is claimed by the consumers that this is largely due to the inadequacy of supply at the source, and particularly by extraordinary use of water at the McCurdy ranch, insufficient capacity of all mains and lack of storage facilities. To these causes which are practically admitted, the Company adds the contention that shortage at certain times was due to extraordinary use of water by those living on lower levels, who, under the flat rate applied in the past, have been beyond regulation, as to amounts used.

It further developed during the hearing that indefinite amounts of water were used for sprinkling of roads at times of known insufficient supply in the town. There is no positive record of the time or times that water was taken for this use, nor of any returns received from water so furnished. The Company claims the amount to have been small, and that practically no water was taken from the system of this Company during June, July and August, 1913. However, undoubtedly water was used and more probably in those months than in other months of greater rainfall;

and this service should be discontinued at all times when the water may be needed for domestic purposes.

Rates charged various consumers in the past have been based, only to a small extent, upon the amounts of water used. For instance, it appeared that a livery stable owned by Sherman R. Smith, one of the proprietors of this system, made no greater monthly payment than did a number of private residents where no water was used during a large part of the year, yet this stable furnished water for as many as 12 head of horses besides all transient business.

Looking to the establishment of rates it is necessary to determine upon the reasonable charges that the Company may demand from its entire service which, according to established precedent, should include returns upon the investment, a fund to replace property when depreciated and the current expenses of maintenance and operation.

In testimony the Company claims to have paid for the system and expended in completion of construction 5 years ago, the sum of \$6,700.00 and that they have since expended some \$2,000 properly chargeable to capital account. In the application herein they claim a property value of \$9,526.00.

The engineers for the Commission estimate the reproduction cost of this property to be \$8,768 and the present depreciated value \$7,446.00. In this estimate the Commission's engineers have eliminated the following items contained in the inventory of the Company:

Stable and Store House	\$700
Team of Horses	300
Wagon and Harness	110
Thousand gallon Water Tank	117
Total - - - - -	\$1227

These items do not appear to be necessary or essential as property of a Company maintaining and operating so small a system as this. The little transportation of materials necessary here is generally handled by smaller companies by hire, and

the livery stable at this place is always available for this purpose.

The necessary annual charges requested by the Company are as follows:

Interest	\$500
Depreciation	200
Maintenance and Operation	528
	<u>\$1228</u>

By the Railroad Commission:

Interest, 6% on \$7500	\$ 450
Depreciation	330
Maintenance and Operation	478
	<u>\$1258</u>

There are so many indefinite points in the entire affair that it is not necessary to go into greater detail. The only item to be added to each of the foregoing is the requirement by the agreement hereinbefore cited, and which will continue to be in effect as will be explained, that 20% of the gross income shall be paid for rental of the watershed. This is estimated by the Company to be \$150.00 per annum, and will be so considered pending results under the Commission's order during the coming season.

The estimate of the Commission's engineers being so nearly the same as the original cost I will consider their results to show the proper value of this property. The rates to be established must not be so high that the consumer will be burdened unreasonably and it may be that the rate of interest obtained by the Company above the expense of maintenance and operation and depreciation of plant will not reach 6% on the investment. It appears that the affairs of this Company have been mismanaged in the past and also that some part of the investment may not have been judiciously made by the officers of the Company. While it is proper that the utility should obtain a reasonable return, this should be only upon the amount judiciously invested and to pay for maintenance and

operation under proper methods of management. The Company definitely stated during the hearing that it planned to install an additional storage tank, similar to that already in place, of a capacity of 50,000 gallons or more; and to place meters upon all service connections with the Company's system. This will require an added investment,

For the tank about	\$600
For 50 meters about	500
	<u>\$1100</u>

and at 6% would add to the annual charges during the coming year \$66.00. Depreciation would be about \$34.00, or the total addition to the income, properly to be expected with a regularly established going concern, would be \$100.00, and the total annual charges, including \$150.00 for rental of watershed will make, by the estimate of the Commission's engineers, \$1508.00.

The testimony in this case establishes the fact that about 44 consumers are connected with the system, and may be reasonably expected to demand water service. As has before been stated, it is impossible to determine closely how much water will probably be used by these different consumers, the rates charged, from which the Company received during 1913 some \$765.00, are purely flat rates by the year, varied by the extent of the consumers' property, but are not, by any means, necessarily in proportion to the amounts of water used, or likely to be used, by the individual consumers.

Subsequent to the hearing there was filed with the Commission an agreement executed by and between several persons who are alleged to be the sole legatees and devisees of the late C. H. McMaster and the proprietors of this Company, which agreement refers to the text of the original agreement described herein and fixes the time for which that agreement shall remain in force by extending it to the 19th day of October, 1916.

It appears that the Company is, therefore, in as good a

position as regards the sources of their water supply for the period above mentioned as they have been during the past five years.

Further, the Commission is informed by N. P. Yost, President of the Bolinas Water & Power Company, that an additional storage tank of at least 50,000 gallons capacity is being erected and that meters have been purchased for installation upon the connections with the Company's system. Therefore, it is probable and reasonable to suppose that the Company is physically capable of rendering efficient service and, therefore, is entitled to such increase of rates as is reasonable and proper for the Company to expect to receive, such rates, however, not to be in excess of the amounts that consumers are able to pay.

It is my opinion that the following rates should be made effective upon the establishment of meters:

Minimum payment per month, payable in advance	----	\$1.50
for which consumer will be entitled to 400 cubic feet, or 3,000 gallons per month.		
Excess use, payable monthly, per 100 cubic feet	--	.25
Rental for fire hydrants not on meter, such as have been installed, per year	-----	6.00
Public use, including amounts for sprinkling of County roads, per 100 cubic feet	-----	.25

Should there be 44 consumers paying the minimum rate, regularly, returns from this source will be \$844.00 per annum. It is assumed that at least 20 consumers will use excess water supply during some portion of the season. Based upon such use in a number of similar localities during the four months of the year these consumers may be expected to use 1,000 cubic feet monthly, or a total use of 48,000 cubic feet and would return \$120.00. In addition there would be some certain public use, which appears to be beyond possible estimates. Without such public use the

returns recited amount to \$964.00, allowing one-fifth for rental of watershed there remains \$771.00 income per annum.

Based upon the estimate of the Commission's engineers this will be sufficient to return approximately maintenance and operation and depreciation accounts, but it is probable that the rates will not give a full return upon the investment. However, it is my intention that this decision should be considered to have force for one full season, and will then be subject to a reconsideration of all matters involved, when the use and probable future developments will be more definitely known.

I FIND AS A FACT that while the service rendered by the Bolinas Water & Power Company in the past has not been adequate, within the knowledge of the Commission this Company is making certain improvements that will most probably enable it to give adequate service.

Further, it is probable that at least a part of the reason for past inadequacy of supply in higher portions of the village of Bolinas is due to lack of regulations of use in lower portions and that, therefore, it is reasonable that the Company be allowed to install meters and establish a metered rate.

I recommend the following form of Order:

ORDER.

Application having been made by BOLINAS WATER & POWER COMPANY to establish increased rates, and a hearing having been held, and it having been found that a remodeling of rates possibly amounting to increased returns to the Company will be of benefit to the general service.--

IT IS HEREBY ORDERED: That prior to June 1, 1914, applicants shall, at their own expense, install a meter for each

of their consumers, except that fire hydrants installed, or to be installed, may not be so provided.

IT IS FURTHER ORDERED, that the applicant herein shall put into effect the following schedule of rates:

Minimum payment per month payable in advance - - - - \$1.50
for which consumer will be entitled
to 400 cubic feet, or 3,000 gallons
per month;

Excess use, payable monthly, per 100 cubic feet - - - .25

Rental for fire hydrants not on meter, such as
have been installed, per year - - - - - 6.00

Public use, including amounts for sprinkling of
County roads, per 100 cubic feet - - - - - .25

IT IS HEREBY FURTHER ORDERED, that this schedule of rates shall become effective June 1, 1914, and that where flat rate payments have been made, reasonable and proper adjustment shall be made in the accounts of all consumers, adjusting charges to that date.

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 28th day of April, 1914.

Alv. Gordon

Max Thelen

Edwin O. Edgerton
Commissioners.