

Decision No. ✓

ORIGINAL

Decision No. 1734

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
the Croker Land Company, for an order)
authorizing it to make monthly mini-) Application No. 1085
mum charge for water furnished.)

Thomas P. Boyd for applicant.

Hoefler & Morris for Fairfax Improvement Club and
other residents of the town of Fairfax.

EDGERTON, Commissioner.

O P I N I O N

This is an application to establish a minimum monthly rate for water service where no such minimum has heretofore existed.

Applicant, the Croker Land Company, whose principal place of business is at San Anselmo, Marin County, was incorporated in 1907, and as a part of its business, subdivided and put upon the market a number of residence tracts in the vicinity of Fairfax, Marin County. As an adjunct, and in connection with the sale of these tracts of land, applicant also engages in the supplying of water for domestic purposes to consumers, a majority of whom were purchasers of land. The water system is owned and operated solely by applicant as a water works department. There is no stock authorized or in existence.

The supply is obtained from two large wells or collecting basins located in the upper end of the largest of these subdivisions known as Deer Park Tract. The water is pumped to two storage tanks located about 200 ft. above the level of the wells and from this point distributed throughout the tracts to the consumers. The entire system is metered. To a large extent the district served by this water system may be termed a "summer home tract", although a

considerable number of people reside here the year round. The number of permanent residents is gradually increasing. In 1913 some 150 consumers were served in July, the month of maximum use, and about 30 during December, the month of minimum use.

Applicant now supplies water at the rate of fifty cents per thousand gallons, and desires authority to establish the following: A minimum of \$2.00 per month for 4000 gallons during the months of May, June, July, August, September and October and \$1.00 per month for 2000 gallons during the remaining months of the year. All excess water at the rate of 50 cents per 1000 gallons.

This application is based upon the claim that the revenue produced by the existing rates has never been sufficient to meet the cost of operating the water works. A hearing on this application was held in San Francisco on May 18, 1914. At this hearing, a large number of consumers appeared to protest against the granting of this application.

In substantiation of the claim that the present rates were insufficient, applicant submitted that the actual investment in money in the water plant from date of installation to December 31, 1913 was the sum of \$14,767.37; that the necessary expenditures for maintaining and operating the plant for the year 1913 was \$790.18 and that the gross receipts from sales of water during the same period were \$861.02, leaving but \$70.84 with which to meet depreciation and interest. While applicant presented no detailed inventory of its property from which to determine the cost, the Commission's engineers were enabled to determine from the books of the company the amount of material which was put into the plant, as well as the actual cost of these materials.

Mr. James Armstrong, one of the Commission's hydraulic engineers, testified that it would cost \$17,639 to reproduce the property new, that its depreciated reproduction cost was \$15,464 and that the annual depreciation was estimated at \$531.

The cost shown on applicant's books was stated to be low for the reason that considerable pipe had been deeded to it free of charge and no values were included for lands devoted to water operations.

The annual expenses incurred in maintaining and operating the plant were examined by the Commission's auditing department and found extremely reasonable.

Objection by the consumers was made to the amount of this investment on the ground that a great portion of the expenses involved in installing this plant was caused by the extension of water mains over lands owned by this company, not yet occupied, in order to promote the sale of real estate. The testimony shows that with the exception of one single tract, the whole of the subdivided lots, reachable under this system have water available, while only about one-third of these lots are now occupied.

While the present pipe system, due to the scattered location of residents in their tracts, is all necessary to serve the present small number of users I am of the opinion that it would be unjust to compel these users to bear the whole burden of an investment intended to serve nearly three times the present number of consumers and made necessary only by the desire of the land company to promote sales.

The main opposition however, to the granting of this application was caused by applicant's failure to adequately supply consumers for a short time during the dry season of 1913, and the future uncertainty of an ample supply being derived from its wells. These wells are located at the upper end of a small valley, which receives the surplus waters from a portion of the east slope of Mt. Tamalpais. The evidence as to the supply which may be obtained from these wells, and the character of the waters from which this supply is drawn is very meager and unsatisfactory. During July and August, 1913, after two exceedingly dry seasons, when but one well had been installed, applicant admitted that not sufficient

water could be pumped from this well to properly supply its users. Applicant has shown some diligence in developing what available supply it has, by constructing another well and has but recently disposed of its largest consumer, a moving picture concern, in order to conserve water for its other customers.

I am of the opinion that aided by the heavy rains of the past season, and with careful management, applicant will be able to supply a normal number of consumers throughout this year. It must be pointed out, however, that such ability to properly serve this district is but temporary, and that steps must be taken in the near future to provide a sure and ample supply from other sources.

While applicant shows that the rates applied for will not earn more than a reasonable return upon the money invested, I am of the opinion that a portion of this investment is ill advised, and the ability to properly serve this community has not been definitely proven and as a consequence thereof, applicant cannot expect to receive a full return at this time. There is no minimum monthly charge for water made by this company, payment being made only for the exact amount consumed. Inasmuch as a great many of the consumers are not permanent residents and use water but a portion of each month throughout the year, the revenue received from such consumers is very slight except in the summer season. This company must, however, at all times hold itself ready to serve and some assured monthly payment must be made in order to guarantee service, while on the other hand, if the consumer does not desire service in any particular month, he may avoid payment therefor upon proper notification to the company.

The rules of this company provide that a consumer may discontinue service at the end of any month and thereafter may again have service without charge other than the water rate.

I submit herewith the following form of order:

O R D E R

Crocker Land Company having made application to the Railroad Commission of the State of California for an order authorizing it to put into effect a minimum monthly rate of \$2.00 for 4000 gallons of water for the months of May, June, July, August, September and October, and a minimum monthly rate of \$1.00 for 2000 gallons for the remaining months of the year; all excess water to bear the rate of 50 cents per 1000 gallons; and a hearing having been duly held and the Commission being now fully apprised in the premises,

IT IS HEREBY FOUND AS A FACT by the Railroad Commission of the State of California that the rates now charged consumers for the delivery of water by Crocker Land Company are unjust and unreasonable; and

IT IS HEREBY FURTHER FOUND AS A FACT that the rates set out in the following order are just and reasonable rates to be charged by Crocker Land Company to its consumers for water.

Basing its order upon the foregoing findings of fact and the further findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that the rates to be charged by Crocker Land Company for water to its consumers shall be as follows:

\$1.00 per month for 2000 gallons, or fraction thereof, excess water at the rate of 50 cents per 1000 gallons.

The rates above established shall go into effect on the first day of September, 1914.

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 14th day
August
of ~~July~~, 1914.

Alfred Gordon

Max F. Finken

Edwin O. Edgerton

Commissioners.