

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

ORIGINAL

Decision No. 1769

In the Matter of the Application of
BELVEDERE LAND COMPANY for an Order
Establishing Rates for Water to be
charged to the Town of Belvedere and
the Inhabitants thereof.

Application No. 1171.

Town of Belvedere,

Complainant,

-vs-

Case No. 645.

Belvedere Land Company,

Defendant.

Edgar M. Wilson for Belvedere Land Company
J. S. Hutchinson, City Attorney, for Town of
Belvedere.

THELEN, Commissioner.

OPINION

In these two proceedings, which were consolidated for hearing and decision, the Railroad Commission is requested to establish the rates to be charged by Belvedere Land Company for water supplied to the Town of Belvedere and the inhabitants thereof.

In Application No. 1171, petitioner alleges in part that its chief business is the purchase, subdivision, improvement and sale of land, but that as an incident thereto, petitioner is engaged in the business of buying water and selling it to persons living in Belvedere, Marin County, and also to certain persons living outside of Belvedere; that Belvedere has voted to confer upon the Railroad Commission its powers over public utility water companies; and that petitioner desires

this Commission to establish fair and just rates to be collected by it for water sold to the Town of Belvedere and the inhabitants thereof.

The complaint in Case No. 645 alleges that the rates charged are too high and asks that they be reduced to such rates as this Commission may find to be just and reasonable. A public hearing in these proceedings was held in San Francisco on August 10, 1914.

Mr. Edgar M. Wilson, attorney for Belvedere Land Company, stated that if the Commission should find that the company may justly claim rates in excess of those now collected, the company will waive the excess over the existing rates, but asks the establishment of a rate for fire hydrants. The Land Company maintains some 13 fire hydrants but has never been paid for this service. The company's offer was made for the reason that it is largely interested in Belvedere lands and does not desire the water rates to become so high as to keep people away from Belvedere.

In or about 1890, Belvedere Land Company commenced the construction of a water system for the purpose of assisting in the sale of its lands in Belvedere. Wells, pipes and a pump were installed on Lots 12 and 13 in Block 10, in the northeastern portion of the peninsula. One of these wells was made large enough to act to a certain extent as a storage tank. Tunnels were also driven into Blocks 36, 37 and 38 on the west side of the peninsula and the water so developed was carried in a pipe line to the storage well.

It became evident in time that the water so developed would not be sufficient for the needs of Belvedere. It also appeared that when the wells were pumped down to 250 feet, the water became somewhat brackish. The Land Company accordingly looked about for another source of water supply and on

May 13, 1904 entered into a contract with William A. Magee and James Newlands, Jr., joint owners of North Coast Water Company, under which contract the Land Company built a pipe-line from Belvedere to Mill Valley, where it receives water from the North Coast Water Company for 20 cents per 1000 gallons, measured at the point of connection just outside the limits of Mill Valley. The necessity of going so far for water, the losses due to electrolysis caused by the Northwestern Pacific Railroad Company's operation of electric trains at Alta, the expense of constructing the distribution system in Belvedere and the relatively small consumption in Belvedere, result in a comparatively high rate for water in Belvedere. The absurdity of expecting rates for water in one locality to be established in accordance with the rates in some other locality seldom appears more clearly than in the present case.

This Commission's hydraulic department made a careful estimate of the cost to reproduce those portions of the water properties which it considered properly chargeable to the Belvedere service, and of the depreciated reproduction value thereof and reported its conclusions as follows:

Estimated reproduction cost	\$45,517.00
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Estimated depreciated reproduction cost	\$30,371.00
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In depreciating the property, the straight line method was used, with no allowance for scrap value except in the case of meters. As I shall look to the estimated reproduction cost as representing approximately the investment, and not to the depreciated reproduction cost, it is not necessary to discuss the propriety of the method used to ascertain the depreciated reproduction cost. For a full discussion of these matters see the decision in Town of Antioch vs. Pacific Gas and Electric Company, Decision No. 1655, rendered on July 6, 1914.

The foregoing estimate of reproduction cost was made on the basis of an allowance of 20 per cent for overhead charges. I find on the evidence in this case that an allowance of 16 per cent is sufficient. On this basis, the hydraulic department's revised conclusions are as follows:

Estimated reproduction cost, -----\$44,541.00

Estimated depreciated reproduction cost, ---\$29,776.00

In the foregoing computations, the hydraulic department did not include the wells, pumps and equipment on Lots 12 and 13 in Block 10, or the tunnels in Blocks 36, 37 and 38. If these properties were included, the estimated reproduction cost would be increased by some \$14,000.00 for the auxiliary system and at least \$1,064.00 for the tunnel under Block 36 alone, exclusive of the value of the land in each case. The result would be that the Land Company would be entitled to a material increase in its rates.

I find, however, as a fact that the properties so excluded should not properly be considered as used and useful in the supply of water to Belvedere. They are remnants of the former method of developing and distributing water and not necessary at present. Thus, the tunnel in Blocks 37 and 38 is now used to supply water only to a fish company at its yard and wharves directly below the tunnel, for which service a flat rate of \$10.00 per month is paid. There is no connection by which the water from this tunnel can at present be used for any other purpose. The tunnel under Block 36 discharges water to a single customer through the pipe line which originally ran to the storage well in Block 10. This customer is a tenant of the Land Company and pays a rental for the land which includes the water service. This tunnel and pipe line are no longer used for any other service.

The auxiliary pumping system has not been used since 1904 except once in 1913 at which time there was a fear, which was later shown to be unfounded in fact, that the water supply of

North Coast Water Company would be depleted by the forest fire on Mt. Tamalpais. I am of the opinion that this auxiliary system, the reproduction cost whereof is estimated at \$14,079.00, is entirely too expensive to justify its retention as part of the Land Company's water system if it be intended to base rates thereon. It would seem to be to the advantage of the Land Company to dispose of the auxiliary system and much cheaper if the Company feels the necessity of providing additional storage, to construct a concrete lined reservoir, with a capacity of say 2,000,000 gallons. There is doubt in my mind whether even this investment is necessary.

The rate for water now effective in Belvedere is as follows:

First 1000 cubic feet -----	\$.50 per 100 cubic feet
Over 1000 " " -----	.40 " " " "
Minimum rate -----	1.25 per month
Shipping and other craft, delivered on the shore --	.10 for each 20 gallons

The revenue derived from these rates from Belvedere in 1913 amounted to \$9,020.00. The maintenance and operating expenses chargeable to the water department during this year are difficult to ascertain, because of the necessity of dividing certain salaries and other expenses between the Land Company's land business and its water business. Mr. R. W. Hawley, this Commission's hydraulic engineer, estimated that a reasonable allowance for operation and maintenance for 1913, including payments for water to North Coast Water Company, would be \$5,930.00. Depreciation under the 4 per cent sinking fund method would be \$862.00 annually. The following table shows the situation graphically:

TABLE I

Revenue, 1913 -----		\$9,020.00
Operation and Maintenance -----	\$5,930.00	
Depreciation -----	862.00	\$6,792.00
Remaining for interest on investment		\$2,228.00

The resulting balance of \$2,228.00 is sufficient to yield a return of only 5% on the assumed investment of \$44,541.00. It must be remembered also that no return is being allowed in this computation on any portion of the auxiliary system or the tunnels and appurtenances. While an increase in business, if it takes place, would relieve the situation, pro tanto, I am convinced on all the evidence in these proceedings that the present rates are no higher than they ought to be. They have been established by the Town Trustees over a series of years and, in view of Mr. Wilson's statement as to the Land Company's attitude, may reasonably be continued in effect.

As hereinbefore stated, the Land Company has undertaken to provide fire protection for Belvedere and has installed a number of fire hydrants for the town and for a few private individuals, but has never received pay for this service. The town has served notice that it will desire the installation of additional fire hydrants. The company cannot reasonably be expected to perform this service gratuitously. The company suggested the purchase by it of two inch meters to be inserted behind each fire plug, at a cost of some \$60.00 for each hydrant. This would seem to be an unusual and unnecessary expense, but if the Company desires to handle the problem in this way, there will be no objection thereto, provided that the additional expense is not charged to the public. For the type of fire hydrants now installed, I find that the sum of \$1.00 per month per hydrant is reasonable. If private individuals desire special fire protection and the installation of fire hydrants, they should pay the same rate.

I submit the following form of order:

ORDER

A public hearing having been held in the above entitled proceedings and the same having been submitted and being ready for decision,

IT IS HEREBY ORDERED that Belvedere Land Company be and the same is hereby authorized to continue in effect until the further order of the Railroad Commission, the existing rates for water supplied to the Town of Belvedere and to the inhabitants thereof, except as to fire service, and that Belvedere Land Company be and the same is hereby authorized to collect for each fire hydrant of the present type the sum of \$1.00 per month from the Town of Belvedere for public fire hydrants and the sum of \$1.00 per month from private consumers for each private fire hydrant.

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 1st day of

September, 1914.

John W. Eschman

W. G. Gordon

Max Thelen

Edwin V. Edgerton
Commissioners.