

Decision No. ✓

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

CITY OF CORONA, a municipal
corporation,

Complainant,

vs.

CORONA CITY WATER COMPANY,
a corporation,

Defendant.

ORIGINAL

Case No. 661

G. R. Freeman for complainant
W. J. Purington for defendant

EDGERTON, Commissioner.

O P I N I O N

The City of Corona complains against the rates charged in the City of Corona by Corona City Water Company. The complaint also contains allegations against the quality of water of this company but no evidence was introduced as to this and it was admitted by the attorney for the city at the hearing that there was no real objection to the quality of the water.

In its answer defendant alleges that its present rates are unduly low, and prays they be increased.

At the hearing the company submitted an appraisal, or valuation, of its plant which shows a present value of \$142,121.50. The engineers of this Commission presented an appraisal of this property which shows a present value of \$124,438. The difference between these two valuations lies principally in the items of going concern value and an estimated amount which it would cost now to pave over the pipe lines if they were being laid at this time. Our engineer rejected both of these items, and I think properly.

The Corona City Water Company is an off-shoot of the Temescal Water Company. The latter is a mutual company serving water only to its stockholders. In order to furnish the City of Corona and its citizens with water, the defendant company was organized, all of the stock being taken by the Temescal Water Company, and 500 shares of the Temescal Water Company were conveyed to the defendant company. The water received from the Temescal Water Company as a result of this stockholding is the only source of water supply and our engineer has placed a tentative value of \$125 per share upon the Temescal Water Company's stock owned by the defendant company. The evidence at the hearing clearly established that in the comparatively few sales that had been made of the Temescal Water Company's stock the price for such stock was about \$75 per share for what is called "low-line" stock and \$125 per share for what is called "high-line" stock.

It seems that the Temescal Water Company makes no distinction as to its stock and there is no preference as between any of its stock, but it becomes necessary to locate this stock or to fix the land upon which given stock shall produce water. In locating this stock, the Temescal Water Company has made a charge of \$50 per share for locating stock on what are called the high line ditches, whereas no charge is made by the company for locating stock on the low line ditch. The reason for this is that the company claims that in order to keep a sufficient supply of water running in the high-line ditches it is necessary to use pumps, and that this additional cost is represented by the \$50 per share charged for locating stock under these ditches.

The stock owned by the defendant company is located on the high-line ditches, and the testimony shows that water for the City of Corona could efficiently be obtained only through these high line ditches.

At the hearing it was testified that practically no more mains would have to be located on account of new street work and therefore the item of \$355, set up in the Commission's engineer's report as an annual operating expense may be stricken out.

The receipts and expenditures of the company for the year 1913 were as follows:

Receipts

Commercial flat rate	\$ 995.00	
Commercial metered	17784.28	
Municipal fire hydrant	109.50	
Street Sprinkling	575.35	
Sewers	240.00	
Street contractors	<u>749.79</u>	
		\$20253.92

Expenditures

Annual auditing of books	40.00	
Salary of secretary	900.00	
Salary of manager	600.00	
Additional help in office	120.00	
Rent and office expense	300.00	
Miscel. general expense	220.00	
Reading meters and collecting	600.00	
Meter repairs	356.00	
Street department	59.00	
Customer's premises	19.00	
Repairs to mains	<u>413.00</u>	
		\$ 3607.00
Taxes	530.00	
Assessment on water stock	<u>9000.00</u>	
		9530.00
		\$13137.00

This leaves the company a net operating revenue of 7117.00

Allowing the following items,

Depreciation	\$ 2032.00	
Interest 6%	<u>7466.00</u>	
		\$ 9498

leaves the company apparently with \$2381 less than it should receive, but attention is called to the fact that the \$9000 paid by the Corona City Water Company to the Temescal Water Company for water in the year 1913 was an unusually large amount because that year

was a dry one, and an unusual amount of water was required. It cannot be expected that this sum will have to be paid each year. However, the adjustments hereinafter mentioned will increase the revenue of the company to some extent.

The rate of \$1.25 per month minimum for 800 cubic feet is approximately the same as has been found reasonable in many Southern California cities of the size of Corona, but the rate schedule as a whole is not well adjusted and I recommend that this adjustment be made even though some rates may be increased thereby.

It is difficult, if not impossible, to accurately fix a rate which should be charged for fire hydrant rental by cities. The reason for this is that there is only an occasional use of water from the fire hydrants yet the size of main and water facilities must at all times be kept adequate for fire purposes in order to be ready when the demand comes.

The hydrant rental heretofore paid by the City of Corona has been 25 cents per hydrant per month. Upon an investigation of rates paid in various cities throughout the State I find that out of 27 cases in which the rates were investigated, only 7 cities paid less than \$1.00 per month. I therefore recommend that the rate for 4-inch hydrants off 4-inch or larger mains shall be \$1.00 per month per hydrant, making no change in the rate now being paid by the City for the 2-inch hydrants.

The rate heretofore charged for water used in sprinkling streets has been \$1.50 per cart per day, which has been found to be equal to about $7\frac{1}{2}$ cents per 100 cubic feet for the water used. I recommend that the rate be fixed at $7\frac{1}{2}$ cents per 100 cubic feet.

There has been an allowance of 800 cubic feet of water for the \$1.25 minimum monthly charge and all excess has been charged at the rate of $7\frac{1}{2}$ cents per hundred cubic feet. I consider it advisable to make a block system for the excess and shall recommend that the rate for the next 1200 cubic feet in excess of the first

800 cubic feet allowed for the minimum shall be 10 cents per hundred cubic feet with a rate of $7\frac{1}{2}$ cents per hundred cubic feet for all water in excess of 2000 cubic feet.

The present rules and regulations should be revised and defendant company should submit to this Commission for its approval a draft of such rules and regulations.

I submit herewith the following form of order:

O R D E R

Complaint having been made by the City of Corona against the Corona City Water Company, alleging excessive, unjust and unreasonable rates charged for water consumed by the city and the citizens of Corona, and a public hearing having been held and the Commission being fully apprised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA
HEREBY FINDS AS A FACT:

That the existing rates now being charged by Corona City Water Company are to the extent that they are hereinafter ordered changed unjust and unreasonable, and it is hereby further found as a fact that the rates herein ordered to be charged by said company are just and reasonable rates.

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

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Corona City Water Company file with this Commission within a period of twenty days from the date of this order a schedule providing for the following rates for water:

\$1.25 per month minimum for the first 800 cu. ft.
or less.

10 cents per 100 cu. ft. for all water used in
excess of 800 cu. ft. up to 2000 cu. ft.
per month.

7½ cents per 100 cu. ft. for all water used in excess of 2000 cu. ft. per month.

Four inch fire hydrants off 4-inch or larger mains \$1.00 each per month.

Fire hydrants of smaller dimensions than 4-inch 25 cents each per month.

Water used for flushing sewers \$40 per month.

Water for street sprinkling 7½ cents per 100 cubic feet.

The rates hereinabove found to be reasonable shall become effective February 1, 1915.

Within twenty days from the date of this order the Corona City Water Company shall submit to this Commission for its approval rules and regulations covering the distribution of water by it in the City of Corona.

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 8th day of January, 1915.

Max Shelen

Alfred Gordon

Edwin O. Edgerton

Commissioners.