

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

TOWN OF HOLLISTER,

Complainant,

vs.

HOLLISTER WATER COMPANY,

Defendant.

Case No. 639

In the matter of the investigation into the rates of Hollister Water Company for water supplied in unincorporated territory in San Benito County, California.

Case No. 709

In the matter of the application of Hollister Water Company, a corporation, for an increase in rates to be charged by and paid to it for furnishing, distributing and selling its water to the public users thereof and especially to the Town of Hollister, a municipal corporation, and the inhabitants thereof.

Application No. 1489

Geo. H. Moore for Town of Hollister  
Seth Mann for Hollister Water Company.

EDGERTON, Commissioner.

O P I N I O N

The Town of Hollister filed a complaint against Hollister Water Company, alleging that the rates charged that company's consumers within the town of Hollister for water were excessive and unjust. As this complaint did not embrace consumers of this company outside of the city of Hollister, the Commission, to make its investigation and determination complete, instituted proceedings on its own motion in Case No. 709. Subsequently Hollister Water Company applied, in Application No. 1489, for an increase of all of its water rates.

By agreement between all parties these three matters were consolidated for hearing.

Hollister Water Company is furnishing water through 800 taps to the inhabitants of Hollister and vicinity. It has about eleven miles of service mains, in addition to ten miles of transmission line from Grass Valley, the source of the major water supply. Before the Grass Valley supply was developed, water was secured from wells within the townsite, but general dissatisfaction existed with the quality of this water and after the development of the Grass Valley supply the town plant has been kept as a reserve to serve during emergency or drought periods.

The supply of water was inadequate in 1913, partly due to excessive use under the flat rate schedule. It was, therefore, decided to meter the service, with a resultant decrease in use as well as in revenue, as shown by the following table:

Gross Revenue, 1912	\$20,403
Gross Revenue, 1913	20,482
Gross Revenue, 1914	19,430.

Valuations of the company's property were prepared by Sloan and Robson, for the company, and by the Commission's engineers. The differences between these two valuations in relation to physical properties are immaterial and may be disregarded. These two valuations, however, vary widely as to rights of way and water rights.

The company's engineers estimate the value of their water rights to be \$52,260 and rights of way \$10,350, making for these two items \$62,610, as compared with a valuation placed on these items by the Commission's engineers of water rights \$5,400 and rights of way \$1,490, making a total for these two items of \$6,890.

The company's engineers find a total present or depreciated reproduction value of \$242,863 as compared with the Commission's engineers value of \$161,784.

The rates now in effect are:

\$1.50 for 4285 gallons or less per month.  
.35 per 1000 gallons excess up to 10,000 gallons.  
.30 per 1000 gallons excess from 10,000 to 50,000 gallons  
.25 per 1000 gallons excess from 50,000 gallons.  
.10 per 1000 gallons for municipal use.  
.15 per 1000 gallons for county use.

The Company asks that rates be established as follows:

\$1.50 for 400 cu. ft. or less per month.  
.37½ per 100 cu. ft. excess for next 200 cu. ft.  
.30 per 100 cu. ft. excess for next 400 cu. ft.  
.25 per 100 cu. ft. excess from 1000 to 10000 cu. ft.  
.20 per 100 cu. ft. excess above 10000 cu. ft.  
\$4.00, \$3.00 and \$2.50 per month for fire hydrant rental.

The Town of Hollister asks that rates be established as follows:

\$1.00 for 4285 gallons or less per month.  
.20 per 1000 gallons excess up to 20000 gallons.  
.15 per 1000 gallons over 20000 gallons.

If the company's valuation is determined to be correct, the rates it asks for are justified and would return about 7 per cent net profit on this value. On the other hand, if the Commission's engineers value is adopted, rates somewhat higher than the existing rates would be necessary in order to produce 7 per cent return. But the rates that the city asks to be established can not be justified upon any basis of valuation as shown by any of the evidence.

I shall not find definitely on the value of this plant in these proceedings as I do not consider it necessary. I believe that the present rates are not reasonably remunerative to the company, and, furthermore, I do not believe that the spread of these rates brings about a just distribution of the burden among the consumers.

I shall, therefore, fix what I consider to be a just schedule of rates which, upon the evidence in these cases, will produce to the company a substantial increase in total revenue, and will, at the same time, permit of the smaller consumers obtaining their water at a less minimum rate than they now must pay.

The minimum now fixed is \$1.50 per month for 572 cubic feet, and the evidence shows that the average domestic use by 50 per cent of the consumers has been 400 cubic feet per month and 32 per cent use less than 300 cubic feet. Therefore, I have reduced this minimum to \$1.25 for 400 cubic feet with a view to lessening the burden of the people who only use a small amount of water and cannot afford to pay a heavy rate therefor. On the other hand, the schedule here proposed increases the rate to some extent to the larger consumers.

At present the town of Hollister pays nothing for water for fire purposes and this I consider results in an unjust burden being placed upon the consumers who must, of course, pay, through their rates, for water used by the city.

Strong arguments have been made in briefs filed on behalf of the city to the effect that because of a condition inserted in an Ordinance passed by the Town of Hollister September 27, 1875, under which a franchise was given for the operation of this water company, or its predecessor, by which condition it was provided that the city should always have water free for fire protection purposes, this Commission is estopped from fixing a rate to be charged for water furnished the city for fire protection purposes.

The position of this Commission as to its power to fix rates, regardless of contracts heretofore made by which rates were fixed for a public utility service, is now well established and I can see no distinction in this respect between

contracts made between a utility and individuals and between a city and a utility.

All of the reasoning which applies to the right of the Commission to fix rates, regardless of contracts between utilities and individuals, applies with equal force to such a contract between a municipality and a utility. I assume it would not now be seriously contended that a city could, through the grant of a franchise or by any form of contract in which a utility service was agreed to be delivered by a public utility company to the city, exclude the Commission from jurisdiction over the rates for such service, and if this is true now, it was true in 1875. When this contract was made the power at that time to fix rates was latent in the state, but nevertheless existed, and any contract made must have been made subject to the power of the state to fix rates when it saw fit to exercise this power.

The amount of water delivered by this company to the city for fire protection purposes varies, and, therefore, it is difficult to fix an exact compensation which should be paid by the city to the company, not only for the water which is actually used for the extinguishment of fires but for the cost to the company of being at all times ready to supply water for this purpose when needed.

Considering all the evidence in this case, however, I believe that \$100 per month is a reasonable sum to be paid by the city to the company for the service furnished for fire protection purposes.

I submit herewith the following form of order:

#### O R D E R

Complaint having been made by the Town of Hollister against Hollister Water Company, and the Railroad Commission

having ordered an investigation into the rates of Hollister Water Company, and Hollister Water Company having made application to this Commission for an increase in rates to be charged its consumers for water, and all of said matters having been consolidated and a public hearing having been held thereon,

IT IS HEREBY FOUND AS A FACT by the Railroad Commission of the State of California that the rates now being charged by Hollister Water Company for water delivered to its consumers are unjust and unreasonable, and that the rates hereinafter set out in this order as the rates to be charged by said Hollister Water Company for water delivered to its consumers are just and reasonable rates, and basing its order upon these 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 Hollister Water Company establish and charge the following rates for water:

\$1.25 per month for 400 cu. ft. or less.  
.50 per 100 cu. ft. used between 400 and 1000 cu. ft.  
.20 per 100 cu. ft. used between 1000 and 10000 cu. ft.  
.15 per 100 cu. ft. used per month in excess of 10000 cu.ft.

To be paid by Town of Hollister for fire service  
\$100 per month.

IT IS HEREBY FURTHER ORDERED that these rates shall be charged and take effect from July 1, 1915.

Hollister Water Company is hereby ordered to file with this Commission, within twenty days from the date of this order, a schedule of rates as herein set out.

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 21st day of June, 1915.

Max Thelen

W. D. Howard

Edwin C. Egerton

Franz R. Dolan

Commissioners.