

Decision No. \_\_\_\_\_

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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CITY OF COALINGA,

Complainant,

vs.

Case No. 623.

PLEASANT VALLEY WATER COMPANY  
and COALINGA CONSOLIDATED WATER  
COMPANY,

Defendants.

In the Matter of the Application of  
PLEASANT VALLEY WATER COMPANY, a  
corporation, and COALINGA CONSOLIDATED  
WATER COMPANY, a corporation, for per-  
mission to increase rates for water  
furnished to the City of Coalinga and  
the inhabitants thereof.

Application No. 1341.

Henry S. Richmond and Lamberson, Burke and  
Lamberson for City of Coalinga.  
A. E. Shaw for Pleasant Valley Water Company  
and Coalinga Consolidated Water Company.

THELEN, Commissioner.

OPINION ON PETITION FOR REHEARING.

This is a petition of Pleasant Valley Water Company and  
Coalinga Consolidated Water Company for rehearing on this Com-  
mission's order of January 13, 1915 in the above entitled pro-  
ceedings (Vol. 6, Opinions and Orders of the Railroad Commission  
of California, p. 33).

The petition for rehearing was filed on January 26, 1915.  
On January 30, 1915, the Commission made its order extending the  
effective date of the order of January 13, 1915, until the decision

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on the petition for rehearing should be rendered. This matter was set down for the presentation of evidence and argument on the question whether a rehearing should be held and considerable additional evidence was presented at a number of public hearings held in San Francisco and in Coalinga. As is usual in such proceedings, the parties stipulated that the evidence and argument thus presented should be deemed to be the evidence and argument which would be presented if a rehearing were granted.

For a general statement of the operations of Pleasant Valley Water Company and Coalinga Consolidated Water Company, reference is hereby made to the opinion of January 13, 1915.

Careful consideration has been given to the evidence presented on the rehearing, bearing on the fair value for rate making of that portion of the properties of Pleasant Valley Water Company and Coalinga Consolidated Water Company which are fairly chargeable to the service of hard water (as distinguished from distilled water) to the customers of Pleasant Valley Water Company, and to fire service to the City of Coalinga. In addition to other evidence presented, Mr. James Armstrong, one of the Railroad Commission's hydraulic engineers, presented an estimate of the cost of a substitutional system, capable of supplying the hard water necessary for domestic purposes and fire protection in Coalinga. This evidence is of value by reason of the fact that it is extremely difficult to determine on any rational basis how much of the property of Coalinga Consolidated Water Company (which property is used both in the service of water to the oil fields and in the service of water to Coalinga) is fairly chargeable to the Coalinga service. The service of water to the oil fields by Coalinga Consolidated Water Company is rapidly declining. On careful consideration of all the evidence, I find as a fact that the fair value of the property of both water companies for

the purpose of establishing rates for hard water sold by Pleasant Valley Water Company for domestic purposes and for fire protection in Coalinga is at the present time the sum of \$89,556.00. A return on this property with interest at 10 per cent would be \$8,955.60 annually and at 8 per cent \$7,164.48 annually.

I find as a fact that a reasonable allowance for depreciation annuity, as affected by ultimate amortization, on the 6 per cent sinking fund basis, is \$6,043.00.

Accompanying the marked decrease in the sale of water during the last few years has been a material decrease in operating and maintenance expenses. Eliminating interest charges, depreciation, Railroad Commission expenses and donations, the operating and maintenance expenses of Pleasant Valley Water Company, as reported by the Company, have been as follows:

For the year ending July 31, 1914	\$5,965.92
" " " " July 31, 1915	4,972.01
" " " " Aug. 31, 1914	5,975.14
" " " " Aug. 31, 1915	4,898.62

Similar reductions appear in the operating and maintenance expenses of Coalinga Consolidated Water Company. The saving in pumping expenses, is particularly noticeable, having been \$1,783.50 for oil alone in the year 1913-1914. I find as a fact that, eliminating interest charges, depreciation, Railroad Commission expenses and donations, the sum of \$8,000.00 is a reasonable annual allowance for operating and maintenance expenses for that portion of the Coalinga Consolidated Water Company's system which is fairly chargeable to the service of hard water for domestic purposes and water for extinguishing fires in the City of Coalinga and that, excluding the charges hereinbefore mentioned, \$5,500.00 is a reasonable annual allowance for operating and maintenance expenses for that portion of the Pleasant Valley Water Company's system which is fairly chargeable to the same service.

An annual allowance of \$500.00 will be made for amortizing the expenses of these hearings and Railroad Commission expenses.

Thus, the total amount to be earned annually by Pleasant Valley Water Company, including interest on the investment, is \$28,998.60 if a return of 10 per cent is allowed and \$27,207.48 if a return of 8 per cent is allowed.

The gross revenue of the domestic hard water system of Pleasant Valley Water Company for the year ending July 31, 1915, was \$20,361.05.

The rates of Pleasant Valley Water Company for hard water now in effect are as follows:

TABLE NO. I.

Present Rates for Hard Water.

0 - 2,500 barrels per month	2¢ per barrel
2,500 - 3,500 " " "	1 1/2 " "
3,500 - 12,000 " " "	1 1/2 " "
Over 12,000 " " "	1 1/2 " "
5/8 inch and 3/4 inch meter - monthly minimum for each house	\$2.00
Large meters - monthly minimum for each service	3.00

The foregoing rates changed to terms of cubic feet are as follows:

TABLE NO. II.

Present Rates for Hard Water in Cubic Feet.

0 - 14,000 cubic feet per month - per 100 cu.ft.	\$.3571
14,000 - 19,600 " " " " - " " "	.3125
19,600 - 67,200 " " " " - " " "	.2678
Over 67,200 " " " " - " " "	.2232

Minimum monthly rate - \$2.00 for 560 cubic feet.

The City of Coalinga pays \$100.00 per month for fire service.

After careful consideration, I find as a fact that the following rates are just and reasonable rates to be charged by Pleasant Valley Water Company for hard water:

TABLE NO. III.

Rates for Hard Water Herein Established.

1. For hard water sold for all uses except fire service  
For the first 500 cubic feet or less per month \$2.00  
For all water in excess of 500 cubic feet,  
per 100 cubic feet .60
2. For water sold to the City of Coalinga for fire purposes \$140.00 per month.

On the basis of the water sold by Pleasant Valley Water Company for the twelve months ending October 31, 1915, these rates would have yielded an annual revenue approximately as follows:

1. Domestic water	\$28,578.00
2. City of Coalinga-Fire purposes	<u>1,680.00</u>
Total	\$30,258.00

The increased rate herein established will probably result in a diminished use of water by the consumers of Pleasant Valley Water Company. Furthermore, the evidence shows that, due principally to a diminishing activity in the adjacent oil fields, a continuing decline exists in the City of Coalinga, with a corresponding decrease in the number of consumers of water from this water system. The result of the concurrent action of these two factors will undoubtedly be that Pleasant Valley Water Company will not derive a revenue during the ensuing year as large as the application of the rates herein established to the water sales for the year ending October 31, 1915, would indicate. While it is impossible to forecast with mathematical accuracy the exact effect which these two factors will have on the sale of water by Pleasant Valley Water Company, I am satisfied that the rates herein established are just and reasonable rates. However, if further decline in the population of Coalinga ensues, Pleasant Valley Water Company must prepare to bear part of the loss which will come to the Company therefrom.

I submit the following form of order:

O R D E R .

The Railroad Commission having heretofore, on January 13, 1915, made and filed its opinion and order herein, and Pleasant Valley Water Company and Coalinga Consolidated Water Company having thereafter petitioned for a rehearing, and the Railroad Commission having thereafter suspended the effective date of said order of January 13, 1915, pending its final conclusion on the petition for rehearing, and evidence and argument having been received at various public hearings on the question whether a rehearing should be granted, and the parties having stipulated that the evidence and argument thus submitted should be considered to be the evidence and argument which should be submitted in case a rehearing were granted, and the Railroad Commission having given careful consideration to all the evidence herein presented, and the matter being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the rates herein prescribed to be charged by Pleasant Valley Water Company are just and reasonable rates and that said Pleasant Valley Water Company's rates now charged for water are non-compensatory, in so far as they differ from the rates herein established.

Basing its order on the foregoing findings of fact and upon the additional findings of fact which are contained in the opinion which precedes this order,

IT IS HEREBY ORDERED AS FOLLOWS:

1. The petition of Pleasant Valley Water Company and Coalinga Consolidated Water Company for rehearing is hereby denied.
2. Pleasant Valley Water Company is hereby authorized to establish, effective January 1, 1916, the following rates

for hard water (as distinguished from distilled water) to be sold to the City of Coalinga and the inhabitants thereof:

(a) For hard water sold for all uses except fire service

For the first 300 cubic feet or less per month	\$2.00
For all water in excess of 300 cubic feet, per 100 cubic feet	.60

(b) For water sold to the City of Coalinga for fire purposes, per month 140.00

3. In case Pleasant Valley Water Company desires to avail itself of the rates herein established, the Company shall file said rates with the Railroad Commission on or before December 27, 1915.

4. In all other respects Case No. 623 and Application No. 1341 are hereby dismissed.

5. The effective date of this order shall be January 1, 1916.

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 11<sup>th</sup> day of December, 1915.

Max Thelen  
A. D. Richardson

Edwin A. Edgerton

Frank R. DeShazo

Commissioners.