

Decision No. _____.

ORIGINAL

Decision No. 3222

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

CITY OF CORCORAN, a municipal corporation,

Complainant,

vs.

Case No. 915.

CORCORAN WATER AND GAS COMPANY, a corporation,

Defendant.

K. Van Zante, City Attorney, for complainant.
F. E. Kilpatrick for defendant.

BY THE COMMISSION.

O P I N I O N.

This is a case brought by the City of Corcoran, a municipality of the sixth class in Kings County, against Corcoran Water and Gas Company, a corporation, engaged in supplying the inhabitants of Corcoran with water, and hereinafter designated and referred to as the "water company".

The complaint contains allegations of discrimination, of the requirement by the water company that the cost of all extensions be advanced by the consumer, and of inadequacy of service; it further alleges that this inadequacy is due to the following causes:

"1. That all the pipes are too small to carry a sufficient supply of water for the present population of said city (of Corcoran)."

"2. That the said water company maintains no meters to guard against waste by those living near the water works."

3. That the storage tank is too small and is not sufficiently elevated.

In conclusion, complainant prays that the defendant be required to install pipes of adequate dimensions, to erect a 60,000 gallon tank on an 80 foot tower, to make all extensions at its own expense upon the application of any resident within the corporate limits, and to abolish all discriminations.

The answer in addition to denying discrimination and serious inadequacy of the water supply sets up, as an excuse for not having made further improvements, certain negotiations between the water company and the city, which will be hereinafter more particularly referred to.

A public hearing was held in Corcoran on March 20, 1916. From the evidence introduced and from the arguments of counsel it appears that the only serious grievance that the consumers have against the water company is the inadequacy of the service. As to this charge the evidence unquestionably shows that a large number of the residents of Corcoran suffer from a totally inadequate water service.

From the undisputed evidence of several witnesses it appears that almost all the water users in the various outlying portions of the city have great difficulty in the summer months in getting any water during the hours of heavy demand. Several witnesses testified that they had to fill their bath tubs with water when the demand was light in order to be able to obtain water for flushing their toilets or for any other purposes during the remainder

of the day and that this condition was typical of other users in their localities. It further appears that this shortage is caused principally by the mains being too small and the tank not having sufficient elevation.

The present population of the City of Corcoran is apparently about 800, and the water company has 143 live services. Its charges are made under flat rates ranging from \$1.00 for small houses up to \$5.00 for the hotel. Water is obtained from two 12 inch artesian wells, one being 1,200 and the other 1,500 feet deep, from which the water is pumped into a 10,000 gallon tank placed on a 40 foot tower. The pipe system consists of:

910	lineal feet of 3/4"	Standard Pipe
4825	lineal feet of 1"	Standard Pipe
12900	lineal feet of 2"	Standard Pipe
<u>2350</u>	lineal feet of 4"	Casing

20985 Total lineal feet.

Mr. H. F. Clark, Assistant Hydraulic Engineer of the Railroad Commission, after a field investigation of the water company's system, made a written report which was introduced in evidence at the hearing as Railroad Commission's Exhibit No. 2. During this examination Mr. Clark took pressure tests at eleven different places in the city with the company's tank approximately full. He found that the pressure was poor throughout the system, the tests showing pressures varying from a minimum of eleven to a maximum of seventeen pounds per square inch.

Mr. Clark submitted an estimate of the cost new of the system, less depreciation computed upon the sinking fund basis, as follows:

Item	Estimated Cost New	Accrued Depreciation	Estimated Cost new- Less De- preciation
Real Estate	\$ 600	-	\$ 600
Wells	9492	1797.	7695
Pump and Motor	618	123.	495
Tank and Tower	1000	583.	417
Pump House	154	58.	96
Pipe System	4512	1121.	3391
Meters - 4"	404	25.	379
Services 3/4"	629	105.	524
Stock on Hand	200	-	200
Tools	25	-	25
Totals	\$17634.	\$3812.	\$13822.

The system was originally installed by the Security Land and Loan Company of Los Angeles which founded Corcoran about ten years ago. After a portion of the pipe lines were laid, the defendant, Corcoran Water and Gas Company, was formed and the water system was transferred to it. In 1911 a new pump was installed and the system has since been gradually extended. There is no question but that some portion of the original cost of the plant should be charged against the development of the enterprise of the Security Land and Loan Company. This principle was apparently recognized by that company, for when it transferred its water plant to applicant in November, 1907, the value of the plant was entered on the water company's books as \$10,000.00, although its original cost was considerably greater. Starting with this figure as a basis, the water company has, since that time, expended according to the evidence a total of \$4,947.55 upon additions and betterments, making a total book cost of \$14,947.55. Probably some duplication of items is included in this total and, of course, no deductions have been made for depreciation.

The books of the water company for the last three years show an average annual revenue of \$3,275.58 while the reasonable operating expenses submitted by the defendant for the same period average \$2,347.90, leaving \$927.68 to cover interest and depreciation.

In order to give first class service to the inhabitants of Corcoran it would be necessary for the water company to make extensive improvements. Mr. J. B. Mayer, President and principal stockholder of the water company proposed on January 3, 1916, to lay 8 inch mains through certain parts of the city, to improve the circulation in the system with 6 inch and 4 inch mains, and to provide a 60,000 gallon tank on an 80 foot tower. The offer, not having been accepted, was withdrawn two weeks later and Mr. Mayer stated at the hearing that on account of the advance in prices of materials since that time he was not prepared to renew this offer.

In Mr. Clark's report a detailed estimate of the cost of these proposed improvements is made, the total estimated cost amounting to \$14,740.00. The report proceeds to suggest certain modifications of the improvements proposed by Mr. Mayer and suggests that the following additions would provide reasonable and adequate service for several years at a saving from the original proposal of approximately \$4,000.00.

60,000 gal. tank on 80' tower		\$4500.
Whitley Ave. 6" pipe - 3800 ft. @ 62¢		2360.
Chittenden Ave. 8" " - 900 ft. @ 1.00		900.
Chittenden Ave. 6" " - 600 ft. @ 62¢		372.
Brokaw Ave. 4" pipe - 2250 ft. @ 41¢		925.
Hall Ave. 4" pipe - 2200 ft. @ 41¢		902.
Letts Ave. 4" pipe - 2000 ft. @ 41¢		820.

Total.....\$10779.

It further appears that on the 10th day of May, 1915, the water company made a formal offer to sell its plant and property to the City of Corcoran for the sum of \$6,000.00, that the following day the Board of Trustees of the City of Corcoran duly passed and adopted a resolution accepting said offer of the water company subject to confirmation by this Commission, and instructed its attorney to initiate and carry out such steps and proceedings as might be necessary for securing the confirmation of said purchase and for submitting to the voters of the City of Corcoran at as early a date as possible the proposition to vote bonds for the purpose of acquiring the property of the water company. Thereafter, an application was jointly made to this Commission by the complainant and the defendant in this case for an order authorizing the water company to sell its entire system to the City of Corcoran, and by Decision No. 2457 (reported in Vol. 7, Opinions and Orders of the Railroad Commission of California, p. 35) this Commission, on June 7, 1915, duly granted the application. In spite of the favorable action of this Commission the city authorities have never submitted to the people the proposition of voting bonds for the purpose of acquiring a municipal water system and, apparently, they would now prefer to force the water company to install extensive improvements rather than to acquire the system and make the improvements at the city's expense.

If the city purchases the plant under its present option, it will be getting it at far less than its estimated reproduction cost less depreciation and, what is more, it will be able to raise

the necessary money at a lower rate of interest than could the water company. From the evidence it appears that the water company could probably not obtain this money at a lower interest rate than 8 per cent and if the company were ordered by this Commission to install the proposed improvements its consumers in Corcoran would, under the circumstances of this case, have to pay rates high enough to yield the water company a sufficient revenue to provide for a sinking fund and for 8 per cent interest upon the cost of all its extensions in addition to the value of its present plant as the same might be determined for rate fixing purposes. This would impose a far greater burden upon the residents of Corcoran than would be imposed by the purchase of the plant and its improvement by the city, and we think it only fair to the citizens of Corcoran to give them the opportunity of voting upon this matter, especially as the complainant herein has already asked this Commission to authorize the transfer. If, however, the citizens of Corcoran should vote against the purchase of the water system, or if the Trustees of the city should elect to cancel their present option with the water company without submitting the question of purchase to a vote of the people, we feel that the company should be required to take some definite steps toward improving its service and we find that the first improvement it should be ordered to make is the installation of a 60,000 gallon tank on an 80 foot tower. We wish, however, to call the city's attention to the fact that if it cancels its option it could not count upon acquiring the system later for a sum equal to \$6,000.00 plus the cost of the improvements ordered by this Commission.

The question naturally arises as to whether the metering of the defendant's entire water system should not also be required by this Commission. We should, unquestionably, make such an

order except for the testimony of the defendant to the effect that this artesian water carries in suspension a considerable amount of fine black sand which renders the use of meters impracticable. We have little doubt but that an efficient settling tank or some other comparatively simple and inexpensive device would relieve the defendant of this difficulty, but we have not had an opportunity to investigate this matter in sufficient detail to warrant us at this time speaking authoritatively upon the subject and as no evidence bearing upon the point was introduced by the complainant, we shall not pass upon the matter in this decision.

The question of rates was also discussed at the hearing and counsel for complainant stated that the citizens of Corcoran were willing to pay whatever rates might be necessary in order to enable the water company to give adequate service. We can not, of course, authorize applicant to increase its rates when it is not giving even fair service to its consumers but if, after defendant has installed and put into service the improvements hereinafter ordered, it wishes to make an application for an increase in rates, this Commission would naturally expect to authorize it to charge such rates as might be reasonable considering the value of its plant and the quality of its service.

O R D E R.

The CITY OF CORCORAN having filed a complaint against Corcoran Water and Gas Company, a corporation, requesting this Commission to order defendant to make certain improvements in its service as more particularly set forth in the foregoing Opinion, and a public hearing having been held in the above entitled case, and the same having been submitted and being now ready for decision,

WE HEREBY FIND AS A FACT that the defendant is not rendering its consumers, the residents of Corcoran, adequate service.

Basing our conclusion on the foregoing finding of fact and on the further findings of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that within thirty days after the option referred to in the foregoing Opinion shall have become terminated either by an adverse vote of the citizens of Corcoran upon a bond issue for the proposed purchase or by a legal cancellation of the option by the Board of Trustees of Corcoran, Corcoran Water and Gas Company shall order a 60,000 gallon tank and the necessary material for an 80 foot tower for the same and shall within ninety days of the termination of the said option as aforesaid complete the installation of said 60,000 gallon tank upon an 80 foot tower and put the same into service as a part of its water system.

IT IS HEREBY FURTHER ORDERED that defendant make to this Commission monthly reports of its progress in providing facilities for improvement of its service.

Dated at San Francisco, California, this 1st day of April, 1916.

Max Thelen

A. S. Loveland

Frank R. Decker

Commissioners.