

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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WM. CHAILKILL, et al,)	
Complainants,)	
-vs-)	Case No. 960.
THE PORTOLA WATER COMPANY,)	
Defendant.)	

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Charles E. Day, for Complainants,
 H. B. Wolfe, for Defendant.

LOVELAND, Commissioner:

O P I N I O N

This complaint alleges, among other things, that The Portola Water Company was organized upward of six years ago and has since served the residents of the unincorporated town of Portola in Plumas County with water obtained from springs; that the entire plant of the company has not cost in excess of the sum of \$1500; that while the revenue of the company has been constantly increasing, the cost of maintenance and operation of the system has not materially increased and that, therefore, the tariff charged residents and householders is arbitrarily high and unreasonable. Instances purporting to show the discriminatory effect of present rates are cited. The alleged arbitrary requirement that each consumer pay \$5.00 for installation of service is protested. The Commission is asked to investigate the affairs of The Portola Water Company and to make such changes in the tariffs charged by The Portola Water Company as conditions are found to warrant.

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The answer of the company denies that the water system did not cost more than \$1500 and alleges that the investment is approximately \$15,000 excluding any valuation for water rights and springs and that the value of these items is \$4000. It admits that the revenue of the company has been increased but that this increase has been slow and that to meet the demands it has been necessary to extend the mains and that such extensions are out of proportion to the increased income derived. It is claimed that the business of the company is hazardous in that it depends almost entirely upon the business of the Western Pacific Railroad and that should the town be discontinued as a division point on that road the company would suffer great loss. The company denies positively that there is any discrimination in rates and contends that all consumers in like circumstances are charged the same rate.

The answer denies that all consumers have been arbitrarily required to pay \$5.00 for connection to the system of the company and that on the contrary for more than three years no such charge has been made by the Portola Water Company.

In conclusion, it is denied that rates are in whole or in part excessive or exorbitant considering the cost of the plant and the nature thereof.

A public hearing held at Portola resulted in determination of the facts following:

The rates charged by the company are all based upon flat rate measure, no meters having yet been installed. The schedule of existing rates was filed by the company as its Exhibit #2. Those rates which were brought into question particularly are the following:

- 1 - Bachelor (2 persons),.....\$1.00
- more than 2 persons, each person, .50
- 7 - Dwelling or family rate,..... 2.00

- 20 - Premises not served with water but to which water is carried from other places supplied by the Portola Water Company will be charged one-half rates.

Complainants contend that the application of these rates clearly results in discrimination. The company's witnesses explained that the lower rate for those consumers not regularly occupying a dwelling should properly be less for the reason that this class is made up largely of railroad employees who occupy the premises only a portion of the time whereas an established family is a consumer of water at all times. In these particular rates, however, as well as in the application of rates charged lodging houses and restaurants it is claimed that the schedule is not an accurate measure of the proportion of use by the various consumers.

Resulting returns under any schedule of rates applied upon the use by all consumers should provide interest on the investment properly chargeable, a sum to cover depreciation of the property and cost of maintenance and operation.

Testimony as to cost of the property and the other items involved was presented by witnesses for the company and for the Commission. From the company's accounts it was not possible to segregate the details of cost of each portion of the system. The manager of the company, however, claimed that the total value of the property of the company is \$15,852.75, this having, according to his testimony, been the total cost. The estimate of cost to reproduce new prepared by the Commission's engineer, filed as Commission's Exhibit #1, totaled \$10,721, exclusive of intangible items. The amount testified to by the company, it was admitted by witnesses, may have included some items properly chargeable to maintenance and operation of the system. No complete set of books has been kept by the company during its existence. The estimate prepared by the Commission's engineer, according to testimony, was derived largely from vouchers found in the office of the company and in all instances where the equipment of the company was pur-

chased second hand the unit prices are reduced accordingly in the appraisal.

The company had, in its estimate of cost of maintenance and operation of the system, included an arbitrary amount, \$600, as their estimate of the annual fund to be set aside on account of the depreciation of the property. The amount testified to by the Commission's engineer, \$502, was computed in accordance with his knowledge of similar property and is such a sum as he estimates will be sufficient, set aside annually and with 5% interest compounded, to replace all items making up the plant when it becomes necessary. The annual expense of maintenance and operation, the company's witnesses testified to be, exclusive of depreciation, \$1899.35. The testimony of the Commission's engineer, while it distributed the items differently, practically substantiated the company in this particular, resulting in a total estimate of \$1817. The principal difference between the Commission's engineer and the witnesses for the company as to appraisal of the property is in the item of water rights, which the company stated to have a value of \$4,000.

The system is operated and owned by a copartnership consisting of E. I. Lane, E. V. Darby, J. H. Golden and H. E. Golden under the firm name The Portola Water Company. E. I. Lane, when the project was initiated, invested \$1000 and his three partners their rights to the springs now developed and used by the utility system here involved.

Each partner being equal owner, they apparently at that time agreed that the rights should be considered to have a value of \$3000.

Other testimony was to the effect that the former claimants had planned to use this water supply for the irrigation of land; and that this use would have resulted in a large increase of value that could have been realized by

themselves. The testimony disclosed that the supply amounts to about 8 miner's inches and that the increase in value might have been \$35 per acre. The Commission's engineer testified that the duty of the water used in irrigation would be about six acres to the miner's inch or that there would have been a supply for about 50 acres, indicating a possible increase in value, if used upon the land, of \$1750.

The springs from which the water supply of the company is obtained are in large part on public lands in a forest reserve. Members of the co-partnership had regularly appropriated the water of these springs. It is necessary to carry the water the greater part of the distance from the springs to the Town of Portola across public lands and the permit to do so, granted by the Department of Agriculture, is revocable at any time, although it is not shown that there is any probability that the company will, at any time, be denied the right.

The distributing reservoir of the company and a part of the transmission line are on lands belonging to the Roberts Lumber Co. which, in 1910, granted a permanent easement to the co-partnership doing business as The Portola Water Co. Under the terms of the agreement then entered into, The Portola Water Co. is to provide water free for drinking and culinary purposes to the Western Pacific Railway Company. The Water Company has charged a total of \$32.50 per month for additional uses made of its water supply by the Western Pacific Railway Company and this amount does not seem unreasonable for all use provided for by both the agreement and the rate otherwise fixed. We do not, therefore, pass upon the propriety of the agreement whereby free service was granted in payment for the use of the Roberts Lumber Company's lands.

No claim was made for intangible values, such as going concern. It is deemed proper that some addition to bare cost of the physical structures be considered proper as a part of the amount upon which a utility is entitled to interest and while exact determination cannot readily be made, for the purpose of this decision, it is proposed to add \$1279 to the estimated cost of physical property presented by the Commission's engineer.

It will therefore be assumed that the reasonable investment in this water system, chargeable against present consumers is \$12,000; that \$302 is a sum that may properly be set aside annually to replace portions of the property at the termination of their useful life and that \$1818 is a reasonable expenditure for annual maintenance and operation of the system.

The schedule of rates set forth in the order we believe will, charged against all consumers of the classifications listed in the company's Exhibit #1, return to the company annually the depreciation fund of \$302, \$1818 on account of maintenance and operation and 8½ interest on \$12,000 or \$960, in all, \$3,080.

We have endeavored to design a schedule of rates that will approximate closely proper payment for the proportionate amount of water actually used by the various consumers.

I submit herewith the following form of order:

O R D E R

WM. THIAHILL, et al, having made complaint against The Portola Water Company claiming that the rates charged for water served to the residents of the unincorporated town of Portola are arbitrarily high, discriminative and unreasonable, and a public hearing having been held,

IT IS HEREBY FOUND AS A FACT by the Railroad Commission of the State of California that the rates of The Portola Water Company insofar as they differ from the rates herein found reasonable are unjust and unreasonable and that the rates set out in this order are found to be just and reasonable.

Basing this order upon such findings of fact and the further findings of fact set forth in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission that The Portola Water Company put into effect the rates set out in Exhibit "A" attached hereto and made a part of this order, within thirty days from the date hereof.

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 28th day of September, 1916.

Max Thelen
H. H. ...
...

Frank R. Dewhu

Commissioners.

EXHIBIT "A"

MONTHLY WATER RATES TO BE CHARGED BY
THE PORTOLA WATER COMPANY.

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1. RESIDENCES:-

4 rooms or less,.....	\$1.00
Each additional room,.....	.10
Kitchen sink and washstand or either,..	.25
Each toilet,.....	.25
Each bath tub,.....	.25

2. HOTELS, LODGING HOUSES, BOARDING HOUSES, ETC.:-

Minimum charge each,.....	\$2.00
Bedrooms for rental each,.....	.20
Public dining rooms each,.....	1.50

3. RESTAURANTS, LUNCH STANDS, ETC.:-

Per unit table or counter seating capacity,.....	.15
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4. BARBER SHOPS:-

Each chair in use,.....	1.00
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5. COMMERCIAL USE:-

Stores, lodge rooms and halls, pool and billiard rooms, physicians and dentists offices, each,.....	1.00
Professional offices, banks and real estate offices,.....	.75
Soda water fountains with other businesses,.....	.75
Bakeries and butcher shops,.....	2.00
Laundries,.....	3.00

6. AUXILIARY USES - ADDITIONAL RATES:

Lawn, garden or shrubbery watered or street sprinkled per 100 square feet,..	0.02
Horses (average number cared for in month) each,.....	.25
Public bath tubs, each,.....	.75
Public toilet, each,.....	.75
Automobiles, each,.....	.25

7. PUBLIC STABLE AND GARAGE:

Each minimum,.....	2.00
Per animal or machine cared for on average,.....	.25

8. WESTERN PACIFIC RAILWAY:

Hospital,.....	7.50
Station and grounds,.....	25.00
Other use, measured or estimated,.....	.20 per 100 cu.ft.

9. PUBLIC USE:

School when in session,.....\$2.50
Fire hydrants, each,..... 1.00
Other use measured or estimated,..... .20 per 100 cu.ft.

10. METERED RATE:

All at 20¢ per 100 cubic feet,

11. WATER CARRIED TO PREMISES AT ONE-HALF RATES SET OUT ABOVE