

ORIGINAL

Decision No. 382

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

THE TOWN OF WILLITS, a municipal corporation
of the County of Mendocino, State of
California,

Complainant,

vs.

WILLITS WATER AND POWER COMPANY, a cor-
poration,

Defendant.

Case No. 297

Con H. Goldberg, City Attorney, for complainant.

Lilienthal, McKinstry & Raymond and Mannon and
Mannon for Defendant.

Eshleman, Commissioner.

O P I N I O N

On the 10th day of June, 1912, at an election duly held, the complainant herein, a municipal corporation of the 6th class, surrendered all of its powers with which it was then vested, to the Railroad Commission under the provision of the statutes of this State providing therefor, and on the 15th day of August this complaint was filed, attacking the reasonableness of the rates of the defendant water company, on the grounds both of their excessive and discriminatory character. The case was first heard on October 10th and 11th, and thereafter continued so that certain observations concerning the supply might be made, and the final hearing held November 13, 1912.

The case was much simplified by the practical agreement between the parties that the gross revenue of \$8,127, secured by the company during the last succeeding year was not an excessive amount for the service performed. This makes it unnecessary

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for the Commission to go into various matters of valuation and operating expenses, which would be necessary if the revenue itself were attacked, and makes it only necessary to determine the questions of discrimination alleged in the complaint and made the subject of evidence in the case.

The City suggests that a measured service should be required, which would necessitate the installation of meters. I am of the opinion that where a measured service is possible without too largely increasing the capital account of the utility, that it should be required in those instances where it is necessary to conserve the supply. In the northern sections of the State, where the rain is more abundant and the necessity for careful conservation of the supply of water is not so great as in Southern California, I think we should be slow in ordering the installation of meters, which if required, would entitle the company to increase its capital account to the extent of the added outlay if the installation of such meters is made, as I think ordinarily it should be at the expense of the company. On such added capital account, of course, the utility will have a right to an earning. In the case before us I believe it would necessitate an actual added cost to the consumers without a corresponding added benefit if meters were required to be installed. This question, however, will always be open for determination, and when a need is shown justifying the added expense, the Commission will pass upon the matter.

The main question, as I have said, being not the total amount of revenue but the proper distribution thereof, this Commission directed its engineering department to make an investigation to determine the amount of water used by the various classes of service in the Town of Willits, and at the adjourned hearing on November 13th, Mr. Harroun of the engineering department, testified very fully with reference thereto. It was found that the average daily consumption amounts to about 255,000 gallons. On this

basis the consumption under the various classes would be as follows:

	<u>Average daily consumption, Gals.</u>	<u>Per cent of Total.</u>
Northwestern Pacific Ry. Co.	32,000	12.55
Northwestern Redwood Co.	6,200	2.43
Irvin-Muir Company.	1,180	0.46
Town Street Sprinkling	7,000	2.74
Town Sewer Flushing	12,550	4.92
Domestic Service	196,070	76.90
Total	<u>255,000</u>	<u>100.00</u>

The amount of water used for fire service is practically negligible, during the year 1911 and 1912, none having been used so far as can be ascertained. Yet, it is well established that where fire protection is rendered to a community that the initial expenditure required for the installation of this service is proportionately large. Our engineering department reports that in this particular case the facilities made necessary for fire protection purposes, represent about 10 per cent of the entire cost of the system. Subdividing the service rendered and the rates received during the year 1911, by the Willits Water and Power Company, we have the following:

Municipal

Fire Service	\$600.00	
Sewer Flushing	78.00	
Street Sprinkling	<u>280.00</u>	\$958.00

Industrial

Northwestern Pacific Railway Company	\$264.00	
Northwestern Redwood Company	132.00	
Irvin-Muir Company	<u>72.00</u>	468.00
Domestic		<u>6,242.00</u>
Total of above classes		\$ 7,668.00

If it be accepted that the rate paid for each service be measured by the amount of consumption of each service, and in the case of fire service, where the consumption is negligible, that the

measure of this service rate be based upon the investment required and cost to render such service, then the following tabulation shows the per cent used, present rate and indicated rate, on the basis herein suggested:

	<u>Per Cent Used</u>	<u>Present Rate</u>	<u>Rate Based as indicated</u>
CLASS			
Municipal			
Fire Service	0.00	600.00	767.00
Street Sprinkling	2.74	280.00	189.00
Sewer Flushing	4.92	78.00	340.00
Industrial			
Northwestern Pacific Railway Company	12.55	264.00	866.00
Northwestern Redwood Company	2.43	132.00	168.00
Irvin-Muir Co.	0.46	72.00	32.00
Domestic	<u>76.90</u>	<u>6,242.00</u>	<u>5,306.00</u>
Total above classes	100.00	7,668.00	7,668.00

On this basis it appears that the city has largely discriminated in favor of itself as against the consumers in all other classes, while the company has discriminated in favor of the industrial interests, thus leaving the small consumer to bear the burden of the discrimination.

In the industrial class, the most striking discrimination is that in favor of the Northwestern Pacific Railway Company. The proportionate amount which this consumer should pay, based on quantity, is \$866 per annum. In the service of water, as well as other commodities, there is usually a less proportionate cost in furnishing to one large consumer than in distributing an equal amount among many small consumers. Therefore, having regard to the cost of service, wholesale rates can, and properly should be accorded. It is often very hard, however, to determine just what concession should be given to those who use large quantities of a commodity, but in the present case, I believe that a rate of

\$600 per annum would be, under all the circumstances, fair to the Northwestern Pacific Railway Company. For the same reason, the large item of \$340 for sewer flushing may be reduced to \$236, thus giving both to the city and to the Northwestern Pacific Railway Company a wholesale rate of about 70 per cent.

I have had in mind in the Northwestern Pacific case the fact that a limiting rate might be reached beyond which it would pay that company to provide its own supply of water. As I have already said, it is hard to determine just when a consumer leaves the retail and goes into the wholesale class, but when a consumer uses a sufficient amount of a commodity to entitle it to a wholesale rate, then the reduction from the rate which the quantity of a commodity otherwise would require, must have reference to and be justified by the less proportionate cost of furnishing the larger supply to the one consumer, with a limiting rate which is the highest amount which this wholesale consumer can be forced to pay and be retained as a customer. In other words, a large user of a commodity should have that proportionate deduction which the decreased cost of furnishing the commodity to it entitles it, and this rate should be fixed unless it passes the limiting rate already discussed.

Examining into the question of rate discrimination among domestic consumers, the following conditions are found:

Consumer	Present rate collected	Rate based on Ordinance
Larsen, Cor. State & Huron	3.15	4.10
H. Bowan	2.60	3.60
Mrs. M. E. Rowe (Boarding)	2.65	5.60
W.A.S. Foster, Com. near Main)		3.75
Mercantile Bldg.)	6.00	9.50
Bowen, Livery Stable	6.00	6.75
Hotel Willits	21.50	84.75
Hotel Central	13.85	30.45
A. J. Fairbanks	3.60	3.45
Gordon Baechtel	2.45	3.65
D. L. Sawyers	3.45	3.85
C. A. Irvin	3.45	3.60
Irvin-Muir Lumber Co.	3.25	3.50
McMurray & Co.	2.40	2.85

Consumer	Present Rate Collected	Rate based on Ordinance.
Mrs. N. M. Vincent	1.00	2.00
Eugene McPeak (Boarding)	3.10	6.20
G. B. Willits	2.50	3.45
G. W. Upp	3.50	4.85
A. Davidson	3.60	3.45
W. F. Saxon	3.35	3.85
G. A. Smart	3.10	3.45
Bank of Willits	1.50	2.35
R. G. Dryden (Livery Stable)	10.50	8.50
A. Davidson (Ed Brown)	2.70	3.75
Northwestern Redwood Co., Lodging house	2.70	6.15
Northwestern Pacific Ry. Co. Depot and Dwelling	none	9.70
	111.90	227.10

The above tabulation shows that in three instances the rates charged have been too high and that this excess charge amounts to \$2.30 per month. In all other cases, the rates charged have been below that which the ordinance requires and the aggregate amount is \$115.20 per month.

Attention is called to the rates which would be charged under the ordinance to boarding and lodging houses and hotels. In the case of the Hotel Willits and Hotel Central, these rates are \$84.75 and \$30.45 per month, respectively. I believe these rates are higher than they should be, and I have the same to say with reference to the three instances covering boarding houses and lodging houses, and also for the Northwestern Pacific depot. For the reason that I have already given in discussing the limiting rate herein, I believe a special rate might be adopted to advantage in these cases, and I suggest a rate of \$5.00 per month for the Northwestern Pacific depot, and that the present rates that are charged to the Hotel Willits, the Hotel Central and in the three instances covering boarding and lodging houses be maintained. Making this adjustment and applying the ordinance rate in the other instances of domestic consumers where discriminations are found, we will get from this group \$137.75 per month instead of \$111.90 as at present.

The rates collected from the domestic consumption class were, in 1911, \$6,242.00. If the above adjustment had been made in that year we would have had instead \$6,552.00, or \$310.00 in addition. If the various classes of rates be adjusted in accordance with the preceding suggestions, the income from all classes, excluding domestic service, would have been \$2,555, thus requiring \$5,572 to be secured from domestic service in order to produce the required revenue of \$8,127.00. It is, therefore, evident that the domestic rate may be reduced \$980, or about 15 per cent per annum and still permit the water company to receive the same gross income.

If the domestic rate is reduced 12 per cent, there will be on the basis herein prescribed, an excess of \$90 over the gross revenue from the year taken as a basis. I am aware that mistakes in computations may be made, but I know the computations made herein have been made with great care by our engineering department and are reasonably accurate.

On the assumption that the water company is justly treated if it receives the gross revenue herein agreed upon, we here have a margin in its favor, after making this reduction in the domestic rates and these adjustments in the other rate, of \$90.

Except in the cases specifically referred to, I recommend that the ordinance of the Town of Willits, being Ordinance No. 116, be the basis for the rates to be charged by the Willits Water and Power Company, and the rates provided therein for sundries and all services upon which no specific finding is made, be established as just and reasonable rates. I further recommend that for the domestic service the basis prescribed in Ordinance No. 116 of the Town of Willits be adopted, but that in each specific instance there be a 12 per cent reduction from the charge which might be imposed under said Ordinance.

As has already been stated, this decision is based upon

the stipulation of the company in which there is satisfactory evidence of concurrence on the part of the city in the record, that the gross revenue for the year 1911 is a proper revenue for the company. At any future proceeding either on behalf of the city or the company wherein this stipulation is not made, the Commission, of course, will go fully into the matter of what the revenue should be with a view to determining whether it is so high that it is unjust to the consumer, or so low that it is unjust to the company.

As to all other cases, the rates set down in the order hereto, I recommend be adopted.

I therefore recommend the following order:

O R D E R

The Town of Willits, a municipal corporation of the 6th class, having, on the 10th day of June, 1912, duly surrendered, as prescribed by law, its powers over public utilities, and particularly over water corporations, and the Willits Water and Power Company, being a water corporation as defined in the Public Utilities Act of this State, and the Town of Willits having filed its complaint No. 297, on the 15th day of August, 1912, attacking the rates of said Willits Water and Power Company and said Willits Water and Power Company having answered complaint, and a hearing having been duly held and being fully advised in the premises,

THE COMMISSION FINDS AS A FACT that the following rates of charges for services performed, and to be performed in behalf of the Town of Willits and the inhabitants thereof and the consumers therein, are just and reasonable charges to be made by the said Willits Water and Power Company:

1. For fire service to the Town of Willits,
\$767 per annum.
2. For street sprinkling for the Town of

Willits, \$189 per annum.

3. For sewer flushing for the Town of Willits, \$236 per annum.

4. For water furnished to the Northwestern Pacific Railway Company for service, other than depot service, and within the Town of Willits, \$600 per annum.

5. For water furnished the Northwestern Redwood Company, \$168 per annum.

6. For water furnished to the Irvin-Mair Company, \$32 per annum.

7. For water furnished to the Hotel Willits, \$21.50 per month.

8. For water furnished to the Hotel Central, \$13.85 per month.

9. For water furnished to the boarding house of Mrs. M. E. Rowe, \$2.65 per month.

10. For water furnished Eugene McPeak, boarding house, \$3.10 per month.

11. For water furnished Northwestern Redwood Lodging House, \$2.70 per month.

12. For water furnished to Northwestern Pacific Railway Company Depot, \$5.00 per month.

13. For water furnished to the individual domestic consumers, the rate prescribed in Ordinance No. 116, less 12 per cent.

14. For all other consumers and sundry purposes and outside service, the Ordinance rate without any reduction.

AND THE COMMISSION FURTHER FINDS AS A FACT that all the rates for which the herein prescribed rates are substituted are unjust and unreasonable rates, either to the consumer by reason of being too high, or to the company by reason of being too low, and

IT IS HEREBY ORDERED that the herein prescribed rates be, and the same hereby are prescribed and fixed as just and reasonable rates to be charged by the Willits Water and Power Company for services performed by said company within the Town of Willits.

The rates prescribed herein shall become effective and be in force on or before January 10, 1913. If the company for convenience desires to put them in effect on January 1, 1913, it will be permitted so to do, but this order, of course, will allow the company the statutory time within which to make them effective.

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 30th day of December, 1912.

John M. Egan
H. D. Loveland
Wm. Gordon
Edward G. Edwards
Commissioners