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Decision No. _____.

ORIGINAL

Decision No. 3968.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

| | | |
|----------------------------------|---|--------------------|
| In the matter of the application |) | |
| of NORTH SHORE LAND COMPANY for |) | <u>Application</u> |
| an order establishing rates for |) | |
| water service. |) | <u>No. 2528.</u> |

C. J. Goodell, representing Stanley
Moore, for Applicant.

BY THE COMMISSION.

O P I N I O N

The original petition in this matter requested authority to file and establish the schedule of water rates under which the business in the past had been operated, but for which no formal approval had been obtained. At a public hearing held in San Francisco on October 20, 1916, applicant amended its petition to provide for metering and in such other particulars as might be deemed equitable by the Commission, the petition becoming, in effect, a request that applicant's rate schedule be entirely readjusted.

North Shore Land Company conducts a public utility water business for the purpose of supplying Monte Rio, Mesa Grando, Sheridan and the vicinity thereof along Russian River, Sonoma County.

The North Shore Land Company was organized July 28, 1902, with a capital stock of \$10,000, for the purpose of subdividing and disposing of certain lands owned by the North Shore Railroad Company, the successor in interest thereof being the present Northwestern Pacific Railroad Company, and the project being advanced partially with a view of attracting traffic along the line of the railroad. In connection with the undertaking, the construction and installation of a water plant and distribution system was necessary, and this has been accomplished, according to applicant, at a cost to date of \$10,412.83. To date, approximately three-fifths of the desirable lots have been disposed of by the company and built upon by the purchasers thereof.

Applicant's water supply is obtained from a number of springs and small intermittent streams, located at various points on the hills immediately adjacent. The water is collected in small wooden tanks and distributed by gravity. The water shed area is heavily wooded, and contains approximately two hundred and fifty (250) acres. It is owned by applicant. There is a little over ten miles of pipe line, principally for distribution, all but a few hundred feet of

which is two inches or less in size. The system is reasonably well maintained. None of the services are metered.

The communities heretofore named are at present primarily vacation colonies, whose activities, in common with the entire Russian River resort district, are confined almost entirely to the summer season; the number of residents varying from as high as four thousand in July to barely three hundred in mid-winter. With a view to determining some form of rate applicable to this particular class of public utility service, both in general and in the case at issue, the Commission has endeavored to collect all available data relating to its character and requirements.

Although the present number of service is about three hundred, those actually served throughout a year do not average in excess of two hundred and seventy. Only seventeen per cent. of the consumers make these communities their permanent home, practically all the remainder residing in San Francisco and vicinity. With the exception of four hotels served, all water used is for ordinary domestic purposes. The consumers can be divided between those residing on the "hill" and those residing on the "flat". The "hill" consumers constitute seventy-five per cent. of the total number and their use is almost entirely confined to the summer season. Their location on steep brushy hillsides largely confines the water use to the inter-

ior of the residences. The "flat" consumers on the other hand are principally permanent residents, with more pretentious dwellings, many of them having large gardens.

The table following is an estimate of duration of occupancy by these residents. This estimate is based upon partial records of applicant's own consumers and upon conditions existing at Rionido, a short distance away, under similar circumstances.

| <u>Continuous Occupancy</u> | <u>Number of services.</u> | <u>Percentage of Active total.</u> |
|---------------------------------|--------------------------------|--|
| For 12 months | 36 | 13% |
| For 6 to 10 months | 8 | 3% |
| For 3 to 5 months | 19 | 7% |
| For 2 months | 106 | 40% |
| For 1 month | <u>101</u> | <u>38%</u> |
| Total active | 270 | 100% |
| Inactive | <u>34</u> | |
| Total | 304 | |

This table refers only to residence for a continuous period and does not include intermittent occupancy. Data gathered indicates an average of two visits a year by each consumer, in addition to the periods of permanent occupancy given above. The present basic rate charged by applicant is a flat rate of \$5. per annum, with an additional annual charge of \$1.50 for each patent fixture, such as a bath tub or toilet, and special rates for the hotels. Approximately sixty per cent. of the consumers have been paying only the \$5. charge, twenty per cent. paying \$6.50 and sixteen

per cent. \$8. per annum.

The hearing on this matter was largely attended by the summer residents of the communities. Complaint was made by a number of consumers that the service was not of the best during certain periods during the summer. While a portion of these complaints can be satisfied by applicant, through the installation of greater storage, particularly in the Mesa Grande and Sheridan sections, the lack of any restrictions upon use during periods of peak demand is partially responsible for these conditions. One remedy lies in metering such consumers as make excessive use or waste of water during the time of great demand, and the Commission suggests that such a measure be taken in this particular case.

Applicant submits that the income from water sales has at no time been sufficient to meet the ordinary expenses of operation, and in substantiation presents a statement of receipts and disbursements for the three calendar years 1913, 1914 and 1915, and the first nine months of 1916. For this period the total receipts are shown at \$6,777.50, with disbursements of \$7,954.05, showing a loss in operation of \$1,176.55. With the exception of \$947.43 expended for a re-survey and properly chargeable to capital, all such expenses appear reasonable upon detailed examination. Exclusive of the re-survey expense item, the average annual cost of operation during this period amounts to \$1,855.

The Commission's engineers estimate the re-

production cost new of the property at \$10,574, with a necessary depreciation annuity on the four per cent. sinking fund basis of \$301.15. These figures do not contain any sum for the two hundred and fifty acres of water shed lands, which are estimated by applicant to have a value of \$20. per acre. The public utility service value of these lands may be approximated by measure of the cost of pumping and filtering water direct from the Russian River, which indicates a value considerably less than that estimated by applicant.

The primary requirement in the conduct of any public utility business is adequacy of service, which, in turn, requires sufficient return to the producer to encourage continuance of his efforts. We do not believe that applicant's consumers, or for that matter the consumers of any of our public utilities, will object to rates which will provide sufficient funds to properly operate and maintain the plant, provided the business is well administered and the rates equitably distribute the burden.

The rates hereinafter ordered have been advised by our engineers as necessary for maintenance of adequate service. The result may be an increase of about thirty per cent. to the majority of applicant's consumers and of between \$700. and \$800. in applicant's gross annual revenue. Applicant will be expected to consider the revenue derived from this increase to be used in providing better service to its consumers.

Because of the uncertain and intermittent use on this particular system, any uniformity of income can be assured only through a minimum annual payment. This minimum will be equal to the lowest annual payment now made by any of applicant's consumers with a small charge for the period of time during which the commodity is used and a normal meter rate in direct proportion to the quantity used in addition.

It is believed that these rates will equitably distribute the burden, and that the consumer will be paying more nearly in proportion to his use both as to time and quantity than he has heretofore. In fixing the form of rates in this Order, we have attempted to provide a guide for similar service throughout the entire Russian River resort territory, but if experience in their application shows them to be unreasonable to either the utility or its patrons, adjustment will be made upon proper showing made before the Commission.

O R D E R.

NORTH SHORE LAND COMPANY having made application to this Commission for an order establishing a schedule of rates, providing for metering and such

other features as the Commission might deem equitable.

And a hearing having been held and the Commission being fully advised in the premises,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the rates charged by North Shore Land Company for water supplied by it to residents of Monte Rio, Mesa Grande, Sheridan and the vicinity thereof are unjust and unreasonable insofar as they differ from the rates herein established, and that the rates herein established are fair and reasonable.

Basing its order on the foregoing finding of fact, and on the further findings of fact contained in the Opinion preceding this Order,

IT IS HEREBY ORDERED that on and after May 1st, 1917, North Shore Land Company establish and put into effect the following schedule of rates and charges for water service:

1. A minimum annual charge for both metered and flat rate service of \$5. per service, payable in advance.
2. In addition to the minimum annual charge of \$5. per service, payment for each month or fraction thereof, during which water is used will be as follows:

a. Metered Service:

| | | |
|---------------|-----------------|-----------|
| For the first | 500 cubic feet | - 15¢ per |
| | 100 cubic feet. | |
| For the next | 1500 cubic feet | - 12¢ per |
| | 100 cubic feet. | |
| For all over | 2000 cubic feet | - 7½¢ per |
| | 100 cubic feet. | |

Minimum monthly charge per service \$.75

b. Flat Rate Service:

For each month or fraction thereof,
per service \$.75

IT IS HEREBY FURTHER ORDERED that within the period of twenty (20) days from the date of this order, applicant shall file for the approval of this Commission rules and regulations governing its service of water.

Dated at San Francisco, California, this 24
day of December, 1916.

Max Thelen

Alex Gordon

Edwin O. Edgerton

Frank R. Berlin

Commissioners.