

ORIGINAL

Decision No. 41551

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of SOLVANG WATER AND IRRIGATION) Application No. 2851
COMPANY for increasing water)
rates,)

and

In the matter of the Application)
of SOLVANG WATER AND IRRIGATION)
COMPANY for an order authorizing) Application No. 2896
an issue of stock, notes or)
other evidences of indebtedness)

P. P. Hornsby, for Applicant.

BY THE COMMISSION.

O P I N I O N

A public hearing was held in the above entitled applications by Examiner Encell on July 25, 1917 at Solvang.

In Application No. 2896, applicant asks authority to issue 72 shares of stock, par value \$50.00 per share, in lieu of a like amount of stock issued without authority from the Commission; to issue from time to time additional shares amounting to 228 shares and to refund and pay notes in the sum of \$3,400.00. In Application No. 2851, applicant asks authority to increase its water rates.

Solvang Water and Irrigation Company was organized in September, 1912, with an authorized stock issue of \$15,000.00, divided into 300 shares, each of the par value of \$50.00.

It is engaged in selling water for domestic purposes to the Danish-American Colony at Solvang, Santa Barbara County.

The evidence shows that through ignorance of the provisions of the Public Utilities Act, and with no intention to violate any of the provisions of said act, applicant has issued 72 shares of its capital stock without authority from this Commission. In lieu of the stock thus issued, it now desires authority to issue 72 shares of its stock at par.

Applicant's indebtedness consists of the following notes:-

Payee	Date	Maturity	Interest	Amount
J. P. Jensen	June 9, 1913	Dec. 9, 1913	7	\$1,700.00
Marcus Neilson	Aug. 1, 1913	Aug. 1, 1914	7	1,000.00
Marcus Neilson	Sept. 23, 1913	Sept. 23, 1914	7	700.00
Total				\$3,400.00

Applicant reports that the entire \$3,400.00 has been used for capital purposes. It now desires authority to refund said notes or pay the same through the issue of stock.

Applicant does not contemplate the installation of any extensions at this time. We therefore believe that 140 shares of stock is the maximum amount which applicant should be permitted to issue. Of the 140 shares, 72 shares shall be issued in lieu of a like amount of stock heretofore issued without the authority of this Commission and 68 shares shall be sold for not less than the par value thereof and the proceeds used to pay the notes mentioned above.

Applicant states that under its present schedule of rates it is operating at a loss, it being necessary to

levy annual assessments on the stock to meet a portion of interest on the notes heretofore mentioned, and under Application No. 2851 asks an increase in such rates.

The rates at present in effect are:-

First 6,000 gallons per month - \$1.00 per 3,000 gallons,
In excess of 6,000 gallons per month - 50¢ per 3,000 gallons,
Minimum monthly charge - \$1.00.

In addition to these rates, applicant makes a practice of charging a rental of 10¢ per month on meters not owned by the consumer.

Applicant desires to increase the rate to \$1.50 per 3,000 gallons up to 6,000 gallons. No increase is desired in quantities above 6,000 gallons.

The water supply for this system is obtained from deep wells sunk in the bed of Alamo Pantado Creek and raised 156 feet to a concrete lined earthen reservoir located on a hill above the town. From the reservoir water is distributed by gravity. Although applicant as far back as 1912 filed appropriation of 75 miner's inches of water flowing in the Alamo Pantado, to date no use has been made thereof, and the possibilities of saving in pumping expense through the utilization of this flow naturally suggests itself. The pumping plant was designed for a capacity of 400 gallons per minute, the original plan being to supply water for both irrigation and domestic uses. The cost of producing water for irrigation purposes was found prohibitive, and at the present time no extensive use is being made of water for this purpose. The capacity of the pumping plant is greatly in excess of the needs of the present consumers, and the justice of charging its entire cost against the present users is doubtful.

James Armstrong, one of the Commission's Hydraulic Engineers, testified that, after an investigation into the affairs of this utility, he believed the reasonable cost of applicant's water system, as installed, to be \$7,850.00; that normal operating expenses for the year 1917 should not exceed \$400.00, with depreciation requirement on the 4 per cent sinking fund basis to be \$178.50; that the investment in the present system is larger than reasonably necessary to serve the present consumers, and suggested the schedule of rates hereinafter shown as being sufficient to provide the estimated operating expenses, depreciation and a reasonable return upon a fair value of the plant used for present consumers.

The suggested schedule is as follows:-

First 1,000 cubic feet per month 25¢ per 100 cubic feet,
In excess of 1,000 cubic feet per month 15¢ per 100 cubic feet,
Minimum monthly charge \$1.25.

No objections were raised to this suggested schedule by applicant or by any of its consumers, a considerable number of whom were present at the hearing.

It is imperative that applicant conform to the general ruling of this Commission relative to the installation at its own expense of meters and service connections of normal size, and to cease collecting any rental on such meters as it has installed. It is advised that applicant proceed to acquire such meters as have been installed by the consumers, paying for them at their present value through a reasonable credit on monthly water bills.

O R D E R .

SOLVANG WATER AND IRRIGATION COMPANY having applied to this Commission for authority to issue seventy-two (72) shares at par of its common stock and for authority to renew or pay those certain notes heretofore referred to and for permission to increase its charges for water service, and a public hearing having been held and it appearing that in the opinion of the Commission, the money, property or labor to be procured or paid for by such issue of stock is reasonably required for the purpose or purposes specified in the order, and that such purpose or purposes are not reasonably chargeable in whole or in part to operating expenses or to income,

IT IS HEREBY ORDERED that Solvang Water and Irrigation Company be and is hereby granted authority to issue one hundred and forty (140) shares of its capital stock at par; seventy-two (72) shares of which shall be issued in lieu of a like amount of stock issued without authority of this Commission and sixty-eight (68) shares shall be sold for not less than the par value thereof in cash, and the proceeds used to pay the notes listed in the foregoing opinion.

IT IS HEREBY FURTHER ORDERED that Solvang Land and Irrigation Company be and it is hereby authorized to establish and file with this Commission within twenty (20) days from the date of this order the following schedule of rates for water served to the inhabitants of Solvang and vicinity, said schedule to be effective upon filing:-

First 1,000 cubic feet per month -- 25¢
per 100 cubic feet,
In excess of 1,000 cubic feet per month -- 15¢
per 100 cubic feet,
Minimum monthly charge - \$1.25.

The authority hereby granted to issue stock, is
subject to the following conditions:-

1. The seventy-two (72) shares of stock authorized
to be issued in exchange for a like amount of stock issued
without the authority of this Commission, may be issued only
after the shares thus issued have been returned to the com-
pany and by it cancelled.

2. On or before the 25th day of each month, applicant
shall file with this Commission reports, pursuant to General
Order No. 24, which order in so far as applicable is made a
part of this order.

3. The authority hereby granted to issue stock shall
apply only to such stock as may be issued on or before
December 20, 1917.

Dated at San Francisco, California, this 17th day
of August, 1917.

Max Shelton

Alex Gordon

Edwin O. Edgerton

Commissioners.