

Decision No. \_\_\_\_\_

**ORIGINAL**

Decision No. 5730

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA

City and County of San Francisco, :  
a municipal corporation :

Complainant :

-vs- :

Spring Valley Water Company, a :  
corporation :

Defendant. :

Case No. 842

In the matter of the application :  
of Spring Valley Water Company to :  
increase rates. :

Application No. 2739

In the matter of the application :  
of Spring Valley Water Company to :  
discontinue preferential service :  
to South Pacific Coast Railway :  
and Southern Pacific Company. :

Application No. 2860

Robert M. Searls for City and County of San Francisco.  
Warren Olney, Jr. and A. C. Greene, for Spring Valley  
Water Company.

EDGERTON, LOVELAND and DEVLIN, COMMISSIONERS:

O P I N I O N

Pending final hearings in the above entitled  
matters Spring Valley Water Company filed a supplementary  
petition in which it is requested that an order be immed-  
iately made authorizing the company to annul the rates

now charged for the service of water, and in lieu thereof to charge rates set out in a schedule attached to such supplementary petition.

In presenting this application representatives of the company stated that they desired it to be clearly understood that the suggested rates were to be temporary, to be superseded by such rates as the Commission found just and reasonable in any final order after the hearings had been completed and that these rates were designed to obtain for the company only the income that would have been received from existing rates and were suggested for the special purpose of conserving water. The following paragraph in applicant's petition clearly sets out their position:

"That petitioner does not seek through this supplementary petition or any order resulting therefrom to increase its income. That it is willing to agree that, if this petition is granted, any amount collected by it under the rates set forth in Exhibit A in excess of what would have been derived through the application of the rates now in force will be held by petitioner subject to the order of this Commission, pending such order as this Commission may make in its final decision in this case."

Applicant is now serving water for all residential use under flat rates although for some time past meters have been installed covering approximately ninety per cent of all services. No use has been made of the meters at dwellings except to measure the quantity of water consumed and in applying penalty for excess and waste under the city ordinance in effect.

Applicant urges as a reason for the immediate establishment of meter rates that it is now vitally necessary that water be conserved in order to avoid a

possible shortage and that the only effective method of conserving water is to place a charge based on the quantity of water consumed so that the waste of water now occurring under the flat rates will be largely overcome by the inducement to consumers to save expense by using water with greater care and less wastefulness.

By way of showing the necessity for conserving water, applicant presents its records which show the rainfall in the last five seasons to be as follows:

1912 and 1913,	109%	of normal annual rainfall
1913 and 1914,	112%	of normal annual rainfall
1914 and 1915,	102%	of normal annual rainfall
1915 and 1916,	71%	of normal annual rainfall
1916 and 1917,	41%	of normal annual rainfall

By the term "normal" rainfall is meant the average rainfall for a period of forty years.

The last three years have been unusually dry years and this coupled with the increasing demand for water has depleted the reserve supply below that ordinarily maintained.

From evidence introduced by applicant at the hearing herein it is evident if the rainfall for the year 1918-1919 is only normal and the present consumption of water continues it is doubtful that there will be a sufficient supply of water for all purposes and if the rainfall for this coming year is below normal there will in all probability be an actual shortage as compared with present consumption.

The situation here presented is such as to fully warrant an immediate order establishing meter rates. With the evidence before us in this proceeding

and the actual experience now being had in this immediate vicinity of the serious effects upon the community of a water shortage we believe that every reasonable means should be immediately availed of to avoid a condition whereby there will be insufficient water for all the needs of this community.

The proposal of the company is fair, to-wit that the rates now established shall not result in any increased revenue or profit and in the event that through inadvertance or as a result of conditions impossible to estimate accurately, a greater revenue should be produced, all overplus over present revenue shall be held at the disposition of the Commission for the benefit of consumers.

Notwithstanding that wide publicity and notice was given of this supplementary petition no protest was made at the hearing or since to the Commission against the immediate establishment of meter rates.

It becomes our duty therefore to consider how most accurately and fairly to spread the burden of the equivalent of the company's income agreed to be \$3,632,252 annually, as of 1917, over the various classes of consumers.

We have given this matter very extensive and careful consideration and have arrived at the conclusion that the sound basis for establishing these rates is that there should be first a service charge based on the size of meter, which service charge is to be paid by all consumers regardless of the amount of water used.

This in distinction to the establishment of a minimum charge which involves the payment of a fixed sum by each consumer based on the size of the meter used and which sum includes a service charge together with a charge for a given quantity of water whether used or not. The minimum charge is invariably higher than the service charge and it involves the payment by each consumer for a fixed amount of water regardless of whether or not he uses it. There is no answer known to us which can be made to the man who complains that under a minimum rate he is compelled to pay the same amount for one hundred cubic feet of water as his neighbor pays for three or four hundred cubic feet of water, depending on the amount fixed for minimum use.

On the other hand the establishment of a service charge is designed to exact from each consumer the cost to the company of standing ready to serve and thereafter to pay for only such water as he may use.

We believe that under the conditions of service we are dealing with herein the service charge once established and thoroughly understood will be agreed to as the fairest and most equitable method of fixing rates.

After fixing the service charge we have given consideration to the charge per hundred cubic feet for water used, and in this connection we have recognized the so-called wholesale principle.

We have also given consideration to the wisdom of so establishing these temporary rates as to avoid more violent changes in existing conditions than are necessary.

Throughout California flat rates for water service have come to be recognized as unfair and inequitable as between consumers. These rates encourage the wasteful and selfish user to impose an unfair burden upon the thrifty and considerate.

The equity and fairness of rates by measurement can not be successfully challenged.

With these considerations in mind we have adopted the meter rates set out in the order.

### O R D E R

Application having been made by supplementary petition by Spring Valley Water Company for an order authorizing that company to change its rates and a public hearing having been had;

IT IS HEREBY ORDERED BY THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA that Spring Valley Water Company is hereby authorized to charge the following rates on all meter readings after the 5th day of September, 1918:

#### Public Use

Fire hydrant rentals as provided for by City Ordinance in effect.

All water used through meters at general use charges.

Water used for street sprinkling and flushing sewers considered as one amount, although taken from various hydrants.

Road and street hydrants, other than fire hydrants to be charged at the rates now in effect.

General Use Charges Monthly

Service charge for each meter in use:

<u>Size Meter</u>	<u>Per Month</u>
5/8"	\$ .65
3/4"	1.00
1"	1.50
1 1/2"	2.50
2"	4.50
3"	8.00
4"	12.50
6"	25.00
8"	40.00

For water delivered:

Between	0 and 3 300	cu.ft. @ 24¢	per 100 cu.ft.
Between	3 300 and 33 300	cu.ft. @ 21¢	per 100 cu.ft.
Above	33 300	cu.ft. @ 18¢	per 100 cu.ft.

Flat Rates for Street Work

Where it is not practical to meter water for street construction work the following rates shall apply:

- For water required for concrete, brick, rubble or other masonry construction, per cubic yard - - - - - 10¢
- For water required for each barrel of cement or lime for any other purpose - - 10¢
- For water required for grading streets, including water used by steam roller, per 100 sq. ft. - - - - - 8¢
- For water required for settling earth fills, grading and back filling trenches, including water required by steam roller, per cubic yard of earth - - - - 4¢
- For water required for small steam or gas engines used on construction work per eight hour day - - - - - 40¢

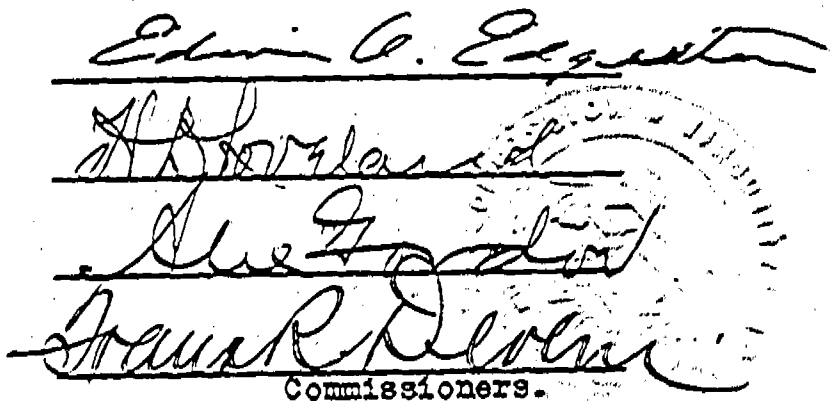
PROVIDED that this order and the rates herein established shall commit neither this Commission nor any of the parties to these proceedings to these rates as just and reasonable, except for the temporary purpose set out in the foregoing opinion and it shall be understood that this whole proceeding shall go forward to final hearing and order wherein the final just and reasonable rates to be charged by Spring Valley Water Company shall be fixed.

PROVIDED FURTHER that Spring Valley Water Company shall file with this Commission monthly statements beginning on the first day of October, 1918, setting out fully and in detail the results of the application of the rates herein established and shall at all times hold at the disposition of the Commission for the benefit of consumers any overplus in the revenue derived from these rates as compared to the revenue which would have been derived from the rates now in effect.

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 3rd day of September, 1918.

  
Edwin C. Edgerton  
H. H. [unclear]  
Frank R. [unclear]  
Commissioners.