

Decision No. 6253

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
of B. E. STEFFEN, doing business
under the firm name and style of
CHICO-VECINO WATER COMPANY, for
permission to install meters, charge
deposit for same, establish a minimum
rate and revise the present schedule
of charges.

Application No. 4255.

B. E. Steffen in propria persona.
Samuel J. Nunn in propria persona.
Harry Dierup in propria persona.

BY THE COMMISSION.

O P I N I O N.

B. E. Steffen asks the Commission to revise his present rates charged for serving domestic water in Chico Vecino, a part of Chico, Butte County, and to authorize the installation of meters on all services, and the collection of a deposit from consumers to aid in financing the installation of meters.

A public hearing in this proceeding was held before Examiner Westover at Chico on February 10, 1919.

In June, 1911, Mr. Steffen started a small water plant and has gradually increased it by extensions and taking over the business of a number of other small plants until he now serves about 260 consumers.. Some 26 consumers were taken over from five other systems from time to time, and about 77 consumers from the system of J. A. McFeeley. The only equipment acquired in these instances was that acquired from J. A. McFeeley in March, 1917, for which Mr. Steffen paid \$3900 cash.. This equipment consisted

of about 18,800 feet of 3 inch, 500 feet of 2 1/2 inch, 950 feet of 2 inch and about 200 feet of 1 1/2 inch mains, all of which were installed new between 1904 and 1915.

Mr. Steffen asks a readjustment of rates which will provide sufficient income to cover maintenance and operation, depreciation and a fair return on that portion of his system now used and useful, provided such rates are found to be reasonable for the present consumers to pay. He wishes to meter the entire system, realizing that sales of water on a uniform metered rate will avoid discrimination and disputes as to water bills, and also greatly reduce pumping costs in producing his supply.

Mr. Steffen submits with his application a proposed schedule of measured and flat rates, including several minimum measured rates, depending upon the size of premises and number of plumbing fixtures. A variety of minimum charges would lead to confusion and is therefore not provided for in the rate schedule authorized herein. One uniform minimum charge for each 3/4 inch service connection on a system is found to work satisfactorily; bills for more than the minimum charge being based upon actual consumption, regardless of the size of the house or grounds in which the water is used.

Applicant presented no testimony relating to cost of the system as a whole or of operating and maintaining it, but leaves the valuation and estimated cost of operation entirely to the Commission. Almost no records have been kept by him from which cost of system or maintenance or operation can be closely estimated. It will therefore be necessary to use estimated costs and water use data based on experience with other systems installed and operated under similar conditions, and similarly located. Another difficulty presented arises from the fact that nearly all of the distributing system, except that portion required

from Mr. McFeeley, consists of pipes which were second-hand when installed, with no way to ascertain how long they had previously been in use. However, applicant testified that he cleaned, rattled and double-dipped all second-hand pipe before installing it, and that in his judgment, it would last a hundred years under all the surrounding conditions. The only new pipe installed by him consists of a few lengths of 6 inch pipe used from time to time in filling in. The entire system, including the portion installed by applicant second-hand, consists of about 51,000 feet of mains varying from 1 1/2 to 6 inch.

Water is developed by electrically driven pumps, from a dug well about 35 feet deep and 70 feet of tunnels that have been drifted into the gravels that underlie the district; and is stored in a 22,000 gallon tank at an elevation of 80 feet; a 12,000 gallon tank at an elevation of 40 feet; and a 12,000 gallon tank placed on the ground. A new well is being drilled adjacent to the present dug well to assure an adequate supply of water for the future but this well is not included in the appraisals hereinafter referred to, for the reason that it is not yet completed.

The territory served embraces about 320 acres in a number of tracts, usually divided into half-acre lots. Applicant testified that his distributing system is sufficient in capacity to serve at least a thousand consumers, or more, and was extended into unproductive territory to serve remote consumers and to provide for future needs.

Applicant furnishes water to about a dozen consumers for which he makes no direct current collections. Two of these are in houses of an employee, three are applicant's own tenants, three are those to whom water is to be furnished during definite periods in consideration for labor performed

on the system, two are served in consideration of getting small groups of consumers on his system, and in the case of Mr. McFeeley, the consideration was the lease of his well, tank and one pump during the season of 1918, this equipment not being included in the purchase price of Mr. McFeeley's distributing system. In all of these instances of so-called free water, the value of the water service has been considered in estimating applicant's income, and the value of the labor in estimating the cost of installing and operating the system.

Pursuant to stipulation of the parties, Mr. William Stava, one of the Railroad Commission's assistant hydraulic engineers, has prepared and filed an exhibit since the hearing, which shows the estimated actual cost of the system as installed new and second-hand to be \$25,479; that the estimated reproduction cost new at average pre-war unit prices is \$53,350; the estimated cost of installing 230 additional meters at \$14.30 is \$3,481; that a suitable annuity for depreciation, including meters to be installed, is \$700, and that the estimated annual cost of maintenance and operation is \$3800.

The fixing of a just amount to use as rate base and an equitable annuity for depreciation is made difficult because most of the mains were second-hand when installed, while the only testimony as to their probable life is that of Mr. Steffen, placing it at 100 years. We are convinced by testimony in many other cases, fixing the life of new pipe at one-third of that and less, that a reliance upon the estimate of Mr. Steffen in this particular would be unjust to him and result in a depreciation annuity far too low to meet the needs of this system as replacements and repairs become necessary. Under all the circumstances, we have concluded to treat the item of depreciation as we would if the pipe had been new when installed.

Considering the estimated investment in the system, the proportion of its capacity which is now used and useful and the large amount involved in metering the system, we conclude

that the present consumers of this overbuilt system should pay a return on \$20,000, and have used that amount as a rate base. In arriving at an estimate of future cost of maintenance and operation, in the absence of adequate records of applicant's business, it has been necessary to base the estimate upon the experience of other water utilities similarly situated. The estimated necessary annual charges are as follows:

Maintenance and operation,	\$3800.00
Depreciation annuity,	700.00
Return on \$20,000,	<u>1600.00</u>
Total,	\$6100.00

Assuming that the water use, of which applicant has no adequate record, will be the same as that in other localities similarly situated, it is estimated that the rates established in the order herein will produce the above annual charges.

Applicant asks the Commission to make an order requiring consumers to deposit with applicant \$5.00 each toward the cost of installing meters, such deposit to be repaid by applicant in water service, beginning one year after the deposit is made. By Decision No. 5832 in Case No. 1262, Auld vs. Steffen, applicant was ordered to meter his entire system on or before March 1, 1919. As it is the duty of each utility to provide all of the facilities by which the product is delivered to the premises of patrons, the financing of improvements such as the installation of meters rests primarily upon the utility, and in a case like this, where the installation of meters is not optional with the utility and the consumer, the Commission cannot properly require the consumer to assume the burden of financing a utility's improvements. In a number of instances, under the Commission's orders, the utility and its consumers have each been allowed the option of installing meters for individual consumers, providing the consumer exercising the option of having a meter installed upon his premises might be

required to deposit the cost of installation, receiving the amount so deposited in subsequent service, but this practice cannot properly be applied under the circumstances found here, where the applicant has previously been ordered to install meters and the order remains in full force and effect, with no request on the part of applicant for a modification of the order. The rates set forth in the order provide for depreciation and a full return upon all meters installed.

O R D E R.

B. E. STEFFEN, doing business under the name of Chico Vecino Water Company, having applied to the Railroad Commission for authority to establish a measured rate for water sold by him in that portion of Chico known as Chico Vecino, a public hearing having been held and the matter having been submitted and being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the measured rates now in effect upon the water system of said Steffen are unjust, unreasonable and non-compensatory and that the rates herein authorized are just and reasonable rates.

Being its order on the foregoing finding of fact and on the further findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that B. E. Steffen, doing business under the name of Chico Vecino Water Company, be and he is hereby authorized to file with the Railroad Commission within 20 days from the date of this order, and thereafter to charge and collect the following schedule of monthly/metered rates for water served by him through his system, to-wit:

First . 500 cubic feet, per month.....	\$1.00
Between 500 to 2000 cu. ft., per 100 cu.ft.....	.15
Over 2000 cu. ft. " " "12
Minimum monthly charge,.....	1.00

April Dated at San Francisco, California, this 14th day
of ~~March~~ 1919.

Edwin O. Edgata
H. S. Hayward
Frank R. Devlin
H. B. ...
James Martin
Commissioners.