

ORIGINAL

Decision No. 6286

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application)
of Sweetwater Water Company for) Application No. 3249.
Increase of Rates.)

Hunsaker & Britt and Le Roy M. Edwards,
for applicant.
F. B. Andrews, for City of Chula Vista.
Ray M. Harris, for City of National City.

By The Commission:

O P I N I O N

This is an application for an increase in rates. A complete new rate schedule is presented by applicant which, if adopted, would result in a change from the present rates, established by this Commission by Decision No. 2802, In the Matter of the Application of Sweetwater Water Company to increase rates, Application No. 312, principally in the amount to be charged users of water for irrigation.

The rates now in effect are a minimum charge monthly for each service during the time the consumer allows the same to remain turned on. The rates asked for are minimum charges varying by size of meter. Present rates and those asked for are as follows:

	Present Rates	Rates Asked for
First 400 cubic feet, or less	\$ 1.00	\$ -
First 700 " " , or less	-	1.25
Next 1600 " " , per 100 cu. ft.	0.15	-
Next 1300 " " , " " " " "	-	0.15
Above 2000 " " for irrigation per 100 cu. ft.	0.02	0.04
Above 2000 cubic feet, for other purposes, per 100 cu. ft.	0.075	0.12

It was clearly the intention of the Commission to provide increased returns by the earlier decision. The revenues of the applicant for the last six years are as follows:

	<u>REVENUE</u>					
	1912	1913	1914	1915	1916	1917
Flat Rate)	:	\$53021:	\$ 52337:	\$ 53177:	\$39995:	\$ 3219
Meter Rate)	:\$57349:	9460:	9726:	9927:	23400:	80348
Municipal)	:	1907:	2604:	2582:	2321:	2440
Non-Operating & Miscl.)	4479:	2283:	1455:	646:	140:	680
Totals	:\$61928:	\$66671:	\$ 66123:	\$ 66332:	\$65856:	\$86687

The new rates went into effect in January 1916 but as appears from the above statement did not result in the anticipated returns. It was believed that the use of water would necessarily remain at least that of the years 1913, 1914 and 1915, which were of record with the Commission. Instead the records now show that the use of water was much less in 1916. In 1917, there was a decided increase both in amount of water used and in returns, this being explained by applicant as being due principally to the recent establish-

ment of a potash production plant at Chula Vista. This, however, accounts for approximately \$12,000 increased business only and it appears that there is an additional increase in returns amounting to some \$8,000 over the business of 1915 and \$9,000 over that of 1916. Decision No. 2802 apparently shows that the Commission intended to provide for returns of \$75,000 from operation of the property in 1915. Since that year there has been a decided increase in cost of materials and labor and the applicant has been put to the expense of repairing damage caused by the flood of January, 1916. These matters should receive consideration at this time and should, insofar as they have caused an actual and necessary addition to the expense of the applicant, be provided for in an increased rate.

Applicant contended that it is entitled to have the following items considered as the basis for computing the annual charge to be produced by the rate schedule established.

Historical Cost of Property to July 1, 1917,	\$1,673,626
Present Value as of July 1, 1917,	1,241,738
Annual Depreciation by Straight Line,	25,604
Maintenance and Operation Expense for ensuing year,	45,472
Amortization of Flood Expenditure Amounting to,	78,870

However, applicant does not ask at this time that a rate schedule be established which will yield returns upon the above mentioned sums and sets out the rate schedule which it asks to have established. This rate schedule, it is contended, will produce an annual revenue of approximately \$110,000.

The Commission's engineers made investigation and reported on comparable items as follows:

Estimated Cost	\$1,520,724
Depreciation Annuity on 5% Sinking Fund Basis. . . .	7,552
Maintenance and Operation Expenses	37,215
Amortization of Flood Expenditure Amounting To	72,725

In the use of the items, the applicant, representatives of consumers and the Commission's witnesses disagreed, the principal point of difference being in the cost of construction work at

Sweetwater dam in repair of damage occasioned by the floods of 1916. It is unnecessary to a decision in this case to enter into a discussion of this item as the income sought by applicant is insufficient to yield a return upon cost of the property.

Argument was made by protestants on the question of the period of amortization of the extraordinary expenses and also as to whether or not consumers should pay at all for a loss which was occasioned by an act of God. A determination of these issues in our opinion is unnecessary to a decision in this proceeding for the same reason as hereinabove given.

As a basis for the computation of a rate schedule, applicant presented the following statement of water use, in Applicant's Exhibit No.7, and estimates that under the rates proposed this use would return \$110,290:

9207 Service months with a maximum use of 700 cu.ft. per month, using a total of	2,513,907 cu.ft.		
3922 Service months with a maximum use of 2000 cu.ft. per month, using a total of	4,723,337	"	"
5324 Service months (irrigation) with a minimum use of 2000 cu.ft. per month Total use from 0 to 700 cu.ft.	3,726,800	"	"
Total use from 700 to 2000 cu.ft.	6,921,200	"	"
Total use above 2000 cu.ft.	119,573,270	"	"
120 Service months (manufacturing) with a minimum use of 2000 cu.ft. per month Total use from 0 to 700 cu.ft.	84,000	"	"
Total use from 700 to 2000 cu.ft.	156,000	"	"
Total use above 2000 cu.ft.	<u>16,816,089</u>	"	"
18573 Service months - Total Metered use,	154,514,603	"	"
Flat Rate Revenue, \$3,695.50			
Miscellaneous earnings, \$ 466.75			

The applicant insists that no greater use may be anticipated than is shown by the above statement, although evidence produced at the hearing indicates that there was an increase in consumption

during the last months of 1917 and the first of 1918. This may or may not be due, as the applicant contends, to the unstable patronage of the potash plant and residents brought into the territory as its employes.

Representatives of consumers insisted that the rates asked by the applicant are prohibitive and that the application of such rates will result in the abandonment of orchards and gardens and in a reduction of returns instead of an increase. Much testimony was presented at the hearing in support of this contention but is, ~~the testimony is so indefinite~~, so indefinite in character that it cannot be considered conclusive.

It seems proper to make some reference to water rates established by this Commission, or determined in some other manner, as proper charges for water supplied for irrigation purposes in communities whose circumstances are somewhat similar. The irrigation rate established by this Commission for Lake Hemet Water Company is the equivalent of 1.2 cents per 100 cubic feet, but the provision of a minimum annual charge per miner's inch continuous flow may operate to make this 1.5 cents per 100 cubic feet for comparison with the Sweetwater rate.

San Gabriel Valley Water Company has a rate of 50 cents per 1000 cubic feet for irrigation use with no minimum charge. The Van Nuys Water System near Los Angeles has a rate of 4 cents per 100 cubic feet.

In these last two it should be noted that the localities are suburban to Los Angeles and the use is on very small places, under an intensive state of cultivation, which is not practicable under the Sweetwater system.

The Cuyamaca Water Company has a rate schedule similar to that in effect and requested by the Sweetwater Water Company, the rate for irrigation use above 2000 cubic feet monthly being 2.5 cents per 100

cubic feet. This is an increase over the former rate, yet it is of record that water use has decreased and the returns for irrigation are nearly constant.

This is not a proceeding in which the property value or expenditure by the applicant, other than for maintenance and operation and for current extraordinary expenditures, are items that it is essential to provide sufficient revenue to cover. As regards the rate to be charged for water for irrigation use, it should be established by measure of the payment that probably will not result in reduction of water use, but will probably encourage an increase both in use of water and in revenue. We believe the rate for strictly irrigation use should be increased from the present charge of 2 cents per 100 cubic feet to 3 cents.

The applicant asks that the minimum charge be changed and that the minimum for smallest service facilities be made \$1.25 for 700 cubic feet instead of \$1.00 for 400 cubic feet. Protest was made against this charge and as it does not appear that the applicant would gain greatly thereby, we believe that the minimum of \$1.00 should remain in effect. The higher charges requested for larger service and meters are justified by the additional expense involved and the rate schedule that is established herein provides graded minimum charges.

During the hearings, applicant was requested by the Commission to furnish tabulations showing the use of water during the calendar year 1917 and filed its exhibit No. 11. It is believed that the use of this calendar year is a more accurate measure of the use that may be anticipated in the near future than that of the fiscal year 1916-1917.

The annual charges that may reasonably be anticipated at this time and that should properly be covered by rates are as follows:

Maintenance and operation	. . .	\$40,000
Normal Depreciation by 5% sinking fund	. . .	7,550
Amortization of Flood Expenses	. . .	6,800
Total not including interest	. . .	<u>\$54,350</u> ✓

We will authorize the following schedule of rates:

Minimum Monthly Charges Per Meter.

5/8 inch	. . . . .	\$1.00
1 "	. . . . .	1.50
1 1/2 "	. . . . .	2.50
2 "	. . . . .	4.00
3 "	. . . . .	7.00
4 "	. . . . .	12.00

For Water used between 0 and 400 cu.ft.	\$0.25	per 100 cu.ft.		
Between 400 and 2000 cu.ft.	0.15	"	"	"
For irrigation use above 2000 cu.ft.	0.03	"	"	"
For use above 2000 cu.ft. when used for other than irrigation purposes	0.12	"	"	"

Flat rates to continue in effect only when it is impracticable to measure the water and to remain as at present established.

The estimated revenue that will result from the application of the foregoing schedule of rates to the water use of the calendar year 1917 is shown below:

	Service Months	Rate	Water Use Cubic Ft.	Resulting Revenue
Minima and use to 400 cu.ft.	17665	1.00 Minimum	52,027	17,664
Use from 400 to 2000 cu.ft. General	-	0.15 per 100 cu.ft.	125,406	18,811
" " above 2000 cu.ft. Irrigation	-	0.12 " " " "	195,686	23,483
" " 2000 cu.ft. Irrigation	-	0.03 " " " "	1,569,598	47,088
Flat Rates	-	-	-	1,864
Miscellaneous	-	-	-	617
Totals,	-	-	1,942,717	109,527 ✓
Deducting proper annual charges as hereinbefore computed,				54,350 ✓
Results in net returns of				<u>\$55,177</u> ✓
This is 6 percent on \$919,616, 7 per cent on \$788,243 or 8 percent on \$689,712.				

The higher minimum charges for meters larger than 5/8 inch will result in some increase in revenue and there is evidence in the record that consumption of water was increased during the early months of

1918 over the corresponding months of 1917.

Analysis of the evidence discloses that a rate schedule of the form herein established should promote the use of larger quantities of water by the consumers of this company and we are of the opinion that it will operate more satisfactorily both from the company's and consumer's standpoint.

O R D E R

Sweetwater Water Company having made application for authority to increase rates, public hearings having been held, and being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT, that the existing rates of the applicant are unjust and unreasonable insofar as they differ from the rates set forth in the following order and that the rates herein established are just and reasonable.

Basing its order upon the foregoing finding of fact and upon the further findings contained in the opinion preceding this order,

IT IS HEREBY ORDERED, that the Sweetwater Water Company be and the same is hereby authorized and directed to file with this Commission, within twenty days from the date of this order, and thereafter to charge the following rates for water served to consumers:

MINIMUM MONTHLY CHARGES PER METER

5/8 inch	-\$ 1.00
1 "	1.50
1 1/2 "	2.50
2 "	4.00
3 "	7.00
4 "	12.00

		<u>Per 100</u>
		<u>cu.ft.</u>
For water used between 0 and 400 cubic feet . . .	\$.25	"
Between 400 and 2000 cu.ft.	0.15	"
Above 2000 cu.ft. for irrigation purposes . . .	0.03	"
" 2000 " " " other than irrigation purposes . . .	0.12	"

Dated at San Francisco, California, this 24th day of
April, 1919.

Edwin O. Edwards
H. B. Leonard
Frank K. Wilson
H. V. Brundage
J. W. Martin

Commissioners.