

Decision No. 6321

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

---00---

R. M. CHAPMAN,

Complainant,

-78-

IMPERIAL UTILITIES CORPORATION,  
a corporation,

Defendant.

Case No. 1193.

R. M. Chapman in propria persona.  
Benjamin J. Henley for defendant.

BY THE COMMISSION:

O P I N I O N

The complaint alleges in effect that since the present base rate of \$2.50 per month was established for water furnished to consumers residing in Calipatria, Imperial County, defendant's expenses have not apparently increased and the number of consumers has approximately doubled. Complainant therefore believes the present charges excessive, and asks that the Commission establish a reasonable rate. Defendant in its answer denies that rates are excessive, and prays that the Commission establish a rate for metered service and thereafter allow the installation of meters at the option of either the utility or the

consumers.

A public hearing was held in Calipatria before Examiner Westover.

The present flat rates complained of, including the base rate of \$2.50 per month for residences of six rooms or less, were established upon unanimous petition of all consumers, including the complainant, by Decision No. 2681 of August 9, 1915. The present schedule modified in several particulars the rates which had been authorized a month before by Decision No. 2585 of July 9, 1915, and included a raise in the base rate from \$2.00 to \$2.50. Both decisions were rendered upon application No. 1675 by the previous owner of the plant. (See Opinions and Orders of the Railroad Commission, Vol. 7, pp. 594 and 820).

Defendant was organized about April 10, 1917, with an authorized capital stock of \$100,000 divided into 1000 shares of the par value of \$100 each. Its general purpose is to acquire and operate public utility plants at various points in Southern California. It has acquired water plants at Calipatria and Niland, in Imperial County, at Monterey Park near Los Angeles, and is party to an application now before the Commission under which it seeks to acquire two water plants at Barstow.

Its water supply for Calipatria is obtained from the canal of Imperial Valley Water Company No. 3, a mutual water company, of which defendant controls 621 shares by virtue of an option contract authorizing it to purchase 500 shares of said stock in separate blocks of 50

shares from time to time within five years from its date at the rate of \$15 per share, and 121 shares additional at \$17.50 per share. As each share represents four acre feet of water per year, it will be seen that an abundant water supply has been provided for its plants at Calipatria and Niland.

The water is led by ditch to defendant's settling reservoir, where it is purified and pumped into tanks from which it is distributed over a large area by 6 inch, 4 inch and 2 inch mains to 140 or more service connections.

Defendant presented an appraisal of its Calipatria plant, gross revenue and operating expenses and depreciation allowance in substance as follows:

Appraisal as of February 26, 1916.....	\$20,790.74
Gross revenue for 11 months	\$3,453.25
Maintenance and operation	
11 months.....	<u>2,483.59</u>
Net earnings from operation	
11 months.....	\$ 969.66
Annual depreciation allowance	\$ 350.00

Included in the appraisal are 6 acres of land at \$1550, only two acres of which appear by the testimony to be now used and useful; and also \$5012.75 as "franchises and water rights", although it appears that no water stock has been purchased, the amount of water stock needed has not yet been determined upon, and that not over 250 shares has been set apart for the use of the Calipatria plant. In the appraisal are also two other items which probably should be distributed between several plants and for which sufficient information is not available at this

time to show a just distribution. One of these items is the sum of \$611.59, being an account entitled "undistributed construction equipment, including automobile" concerning which sufficient detail is not furnished, and the other is an item of \$1475.43 for "organization and intangibles". The latter is half of an item divided equally between the Calipatria and Niland plants. It evidently covers numerous items of legal, engineering and trustee's fees and expenses which should be investigated and properly distributed between all of applicant's plants when full information is available. As the Commission remarked concerning similar items discussed in Decision No. 4969 of December 26, 1917, authorizing the execution of defendant's so-called "open end mortgage" in connection with the acquisition of its plants at Calipatria and Niland: "Portions of these items should be distributed to other properties when acquired. The entire amounts do not appear to be properly chargeable to these two plants." (See Opinions and Orders of the Railroad Commission of California, Vol. 14, p. 738-9). It is also evident that the system is overbuilt and that present consumers should not be compelled to pay a full return upon the investment.

Some deductions should be made from defendant's statement of maintenance and operation expense, but these deductions will be offset by reasonable increases in future expense.

The effect upon gross revenue of the future use of metered rates cannot be closely computed because

water use in the past has been based on flat rates only. However, the company suggests a schedule of metered rates designed to produce sufficient revenue to meet its annual charges. This proposed schedule includes a minimum monthly charge of \$2.00. We include in the order a schedule of metered rates designed to produce the annual charges, but which we consider will more equitably distribute these charges between consumers.

The Commission has stated in a number of instances that a measured system of rates is the only method by which each consumer bears his fair portion of the expense, and we recommend that this utility proceed to fully meter its system and thereafter charge only the schedule of metered rates set out in the order herein. Full allowance will be made therein for the necessary cost of meters and installation, depreciation and such other additional expenses as will result.

A careful consideration of all circumstances affecting a decision in this case leads us to the conclusion that the present flat rates should not be disturbed, especially during the transition from flat to metered rates.

As to the suggested Rules Nos. 14, 15, 16 and 17 governing metered service, submitted in defendant's Exhibit "B", the proposed rules may be filed for approval or modification at the time the new schedule of metered rates is filed. The rules contemplate that the company or consumers may have the option to change a service from flat to metered rates upon thirty days written notice.

meter to be installed at the company's expense.

O R D E R.

A public hearing having been held in the above entitled case, the matter having been submitted and being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the present flat rates charged by defendant for water furnished to consumers in Calipatria and vicinity are just and reasonable rates, and basing its order upon the above finding of fact and upon the findings contained in the opinion preceding this order,

IT IS HEREBY ORDERED that until such time as meters are installed upon individual services or until the further order of the Commission, the present flat rates charged by defendant shall remain in full force and effect.

IT IS HEREBY FURTHER ORDERED that the Imperial Utilities Corporation file with this Commission within 20 days from the date hereof and thereafter charge the following rates for water supplied through metered services to the inhabitants of Calipatria and vicinity:

Metered Rates.

Monthly Minimum Payments:

5/8	inch	meters.....	\$1.00
3/4	"	" .....	1.50
1	"	" .....	2.00
1 1/2	"	" .....	3.00
2	"	" .....	4.00
3	"	" .....	5.00
4	"	" .....	or larger. 6.00

Monthly Meter Rates:

From	0	to	500	cu. ft.	per	100	cu.ft.	0.20
"	500	"	1,000	"	"	"	"	0.18
"	1,000	"	2,000	"	"	"	"	0.15
"	2,000	"	15,000	"	"	"	"	0.12
"	15,000	"	100,000	"	"	"	"	0.10
"	100,000	"	1,000,000	"	"	"	"	0.09
"	1,000,000	"	4,000,000	"	"	"	"	0.08
Above	4,000,000							0.07

Dated at San Francisco, California,

this 12<sup>th</sup> day of May 1919.

Elwin O. Edgerton  
H. S. Howard  
Walter K. Hoover  
H. A. Brundage

COMMISSIONERS.