

ORIGINAL

Decision No. 6428

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

BARCLAY McCOWAN, et al.,)

Complainants,)

vs.)

Case No. 1276.

WESTERN WATER COMPANY,)
a corporation,)

Defendant.)

In the Matter of the Appli-)
cation of WESTERN WATER)
COMPANY, a corporation, for)
an order revising and in-)
creasing its rates.)

Application No. 4346.

Barclay McCowan for complainants.
Chickering & Gregory, by Allen L. Chickering,
for defendant and applicant.

BY THE COMMISSION.

O P I N I O N.

The above entitled proceedings having come on regularly for hearing before Examiner Bancroft on March 6, 1919, in the City of Taft, upon the consent of the attorneys for all parties concerned, the case and the application were consolidated by order of the Commission at said hearing. An adjourned hearing of said consolidated proceedings was held before Examiner Bancroft at San Francisco on April 15, 1919.

The complaint in the above entitled case, after setting forth the names of the complainants, states that defendant Western Water Company is a corporation doing business in what is known as the "West Side Oil Fields", of Kern County, with its principal office and post office address at Taft, and is engaged in the selling and delivering of water to oil operators and residents in

the oil fields and to the residents of the incorporated city of Taft and of the unincorporated town of South Taft, California; that the prices paid by complainants to defendant are exorbitant, unreasonable and unjust.. Complainants conclude by praying that the Railroad Commission investigate the organization, legitimate expenses and business conduct of defendant and establish fair and reasonable rates to be charged by it.

In Application No. 4546, Western Water Company alleges that its present rates are unreasonable and too low to provide it with a fair and adequate return upon its operative capital, excepting its rates as established by Decision No.2546,Case No.778, In the Matter of the Rates, Rules and Regulations of Western Water Company (Vol. 7, Opinions and Orders of the Railroad Commission of California, p. 435) for domestic use in Taft and South Taft. Applicant asks that it be authorized to increase its rates for the service of water for other than the domestic use above referred to, to such an extent as the Commission may, after investigation and hearing, deem just and proper.

From the evidence, it appears that Western Water Company is a public utility, engaged in the business of pumping water from land leased by it from Kern County Land Company, in Kern County, and transmitting the same to the city of Taft, the town of South Taft and to the oil fields in the general vicinity of said towns, and in the sale of said water for all purposes in said region; that during the year 1915, in connection with Case No.778, supra, the reproduction cost of applicant's physical properties was appraised by the Railroad Commission as of December 31, 1914, at \$685,698. Considerable additions have been made to applicant's plant since that time and its entire properties have been maintained in first class condition.

C. I. Rhodes, one of the Commission's hydraulic engineers, made a detailed field examination and study of the affairs of the company in connection with investment, maintenance and operating expenses, and other details, and the Commission's Auditing Department examined the company's books.

Starting with the Commission's estimate of \$685,698 as the reproduction cost of applicant's properties on December 31, 1914, and making due allowance for additions and deductions for replacements, we find the historical reproduction cost of applicant's physical properties as of January 1, 1919, to be \$762,885.

At the hearing in Taft, applicant submitted exhibits showing its operating expenses and taxes for the past four years and its estimated operating expenses for the year 1919 as follows:

1915	\$ 94,925.89
1916	110,625.11
1917	173,243.96
1918	206,376.03
1919(estimated)	226,050.82

After carefully examining and checking applicant's accounts and exhibits, we are of the opinion that its reasonable maintenance and operating expenses for the current year will be approximately \$225,000.

We have also considered applicant's present rates to consumers of domestic water in the city of Taft and the town of South Taft, and are of the opinion that the rates ^{for such service} established by this Commission in Decision No. 2546, supra, are just and reasonable and should not be disturbed at the present time.

Applicant's present rates to its consumers of water in the oil fields (known as the wholesale rates) are as follows:

RATES PER BARREL ON DAILY QUANTITY (5-YEAR CONTRACT)

	Barrels 1 to 1500 per bbl.	Barrels 1500 to 3500 per bbl.	Barrels 3500 to 10,000 per bbl.
First year	\$0.03	\$0.03	0.02 3/4
Second year	0.03	0.02 3/4	0.02 1/2
Third year	0.03	0.02 1/2	0.02 1/4
Fourth year	0.02 1/2	0.02 1/4	0.02
Fifth year	0.02 1/4	0.02	0.01 3/4

From the foregoing valuation and the estimated maintenance and operating expenses for the current year, we obtain the following annual charges:

Maintenance and Operation	\$225,000
Interest on used and useful property at 8%	61,031
Depreciation computed upon a 6% sinking fund basis - - - - -	<u>24,482</u>
Total, - - - - -	\$310,513

The rates hereinafter authorized are designed, when added to the receipts from applicant's domestic consumers in Taft and South Taft, to yield applicant this annual income.

O R D E R.

Case No. 1276, Barclay McCowan, et al., vs. Western Water Company, and Application No. 4346, In the Matter of the of Western Water Company, a corporation, for an Order Revising and Increasing its Rates, having come on regularly before this Commission for hearing, said proceedings having been consolidated and public hearings having been held thereon, the same having been submitted and being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that Western Water Company's present rates for water served to its domestic consumers in the City of Taft and the town of South Taft are just and reasonable; that its rates outside the town

of Taft and the town of South Taft are unreasonable and non-compensatory and that the rates herein established are just and reasonable rates.

Basing its order on the foregoing finding of fact and upon the further statements contained in the opinion which precedes this order,

IT IS HEREBY ORDERED AS FOLLOWS:

1. That the complaint in Case No. 1276, entitled Barclay McCowan, et al., vs. Western Water Company, be dismissed.
2. That Western Water Company be and it is hereby authorized to file with this Commission within twenty (20) days from the date of this order and collect for all meter readings thereafter, the following rates for the service of water to consumers outside the city of Taft and the town of South Taft:

Minimum Rates.

Domestic consumers on wholesale lines	\$2.50 per month
Industrial consumers - - - - -	10.00 " "

Metered Rates

0 to 30,000 bbls. per month	\$0.03 per bbl.
Next 70,000 bbls. per month - - - - -	0.025 "
Over 100,000 " " " - - - - -	0.015 "

Provided that the net rate from any consumer shall in no instance fall below an average of 1.85¢ per barrel for all the water consumed by it in any one month.

3. That applicant file with the Railroad Commission not later than thirty (30) days from the date hereof its rules and regulations.

Dated at San Francisco, California, this 25th day of June, 1919.

Edwin D. Edgerton

Frank H. Colby

Deering Martini

Commissioners.