

Decision No. 6509

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
the Russian River Heights Water Com-)
pany, for adjustment of water rates) Application 4478.
to consumers at Russian River Heights,)
Sonoma County, and adjacent territory.)

A. F. Lemberger for Applicant.
D. B. Channel and Thos. Fitch, Jr., for
Russian River Heights, Monteseano and
Graystone Improvement Club.

LOVELAND, Commissioner.

O P I N I O N

This is a proceeding brought by Russian River Heights Water Company, hereinafter referred to as applicant, for an increase and adjustment of its rates for water.

The application alleges in effect, that Russian River Heights Water Company is duly incorporated under the laws of this state for the purpose of collecting and distributing water to the inhabitants of Russian River Heights and vicinity, Sonoma County; that the rates in effect are not compensatory and do not produce a sufficient revenue to meet reasonable annual charges; and that as a result applicant's credit is impaired and it is impossible to obtain funds for the conduct of its business. Applicant asks that fair and reasonable rates be established.

The rate schedule now in effect is as follows:

Minimum annual charge, payable in advance.....\$ 5.00

In addition for each--

Bath tub.....\$ 2.00 per month.
Flush toilet..... 2.00 per month.
Shower bath..... 1.00 per month.

A public hearing was held in this proceeding on May 21, 1919, at San Francisco.

The water supply for this system is obtained from a number of streams and two water tunnels in the vicinity of Russian River Heights, supplemented during the heavy draft of the summer months by a pump which lifts water from a well sunk in the gravels of the Russian River bottom. There is a total storage capacity of 9,000 gallons.

Water is delivered to the consumers through iron and steel pipes, both direct from the sources of supply and from the wooden storage tanks. The available storage is admittedly insufficient during the peak draft of the summer season. Some complaint was voiced at the hearing concerning lack of storage capacity, and applicant stated that lack of funds had prohibited a greater investment in such facilities. Subsequent to the hearing it has come to the attention of the Commission that the company has voluntarily installed additional storage, thereby improving service conditions.

The district served by applicant is a well known summer resort, which has a great fluctuation in population during the different seasons of the year, the number of active service connections varying from a minimum of ten during the winter, to approximately seventy, during the month of July. As is usual with a summer resort of this character, the area served is sparsely settled. It is therefore necessary for the utility to maintain very extensive distributing system in proportion to the number of consumers served,

of sufficient capacity to deliver water to a comparatively large number during one or two months of the summer season, whereas during the remainder of the year, a very much smaller system would be required to serve its consumers. However, the investment still remains during the slack season, and an adequate force of operators must be maintained. There are many other expenses which must be met by the utility, such as taxes, insurance, legal, etc., which do not fluctuate with the number of consumers served. It is apparent that though the major portion of the water is sold during the few summer months, the utility is still at considerable expense during the balance of the year, which expense is ^{largely} directly attributable to those consumers who receive service for only a few months each year. Furthermore, the utility must at all times of the year, stand ready to serve any or all of its consumers, and this readiness to serve entails a continuous expense.

Field investigation was made of this plant by Mr. C. I. Rhodes, one of the hydraulic engineers of this Commission, who reports an estimated original cost new of the used and useful properties as of January 1, 1919, of \$9,126, and a sinking fund annuity of \$120. No objection was made to Mr. Rhodes' report at the hearing by either the consumers or applicant. Investigation was made of the records of the company by Mr. Harold Everhart, one of the Commission's auditors, who reports maintenance and operation expense and income for the years 1917 and 1918, as follows:

<u>I T E M</u>	<u>1917</u>	<u>1918</u>
Gross Income.....	\$ 563.00	\$ 565.00
Maintenance and Operation Expense....	602.50	678.65

The sums reported above for gross income are the amounts billed the consumers, whereas, in fact, a portion of this amount is not actually collected by applicant.

An estimate was submitted at the hearing of proper operating

cost for 1919. This estimate follows:

Operating Labor and Expense.....	\$ 350
General Expense.....	435
Taxes.....	120
Power.....	75
Insurance.....	20
Total.....	<u>\$1000</u>

The district served by applicant is still in its development stage, and if a rate schedule is established to produce the total annual charges, based upon the estimated original cost set out herein, it would be so high as to be unfair to the consumers.

The system as constructed, with a small additional expenditure, has a sufficient capacity to serve many more consumers than are at present receiving water from it.

Because of the fact that most of applicant's consumers receive water only for a very short period each year, it is a difficult matter to equitably distribute the expense among the consumers. It would be unfair to require of those consumers receiving water the entire year, that they bear a part of the burden of the expense incurred because of those receiving service a few months only.

The rate schedule herein established is designed to exact from each consumer, insofar as possible, his proper equitable proportion of the expense. The findings herein are the result of very careful consideration of the data presented by applicant, with equal consideration of the information given by the public spirited citizens who appeared at the hearing, and it is believed that the rates herein established will work full and ample justice to all parties concerned.

I recommend the following form of order:

O R D E R

Russian River Heights Water Company having made application for adjustment of its water rates, and a public hearing having been

held, and the Commission being fully apprised in the premises;

IT IS HEREBY FOUND AS A FACT that the rates of Russian River Heights Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates set out in the following order are just and reasonable rates to be charged by it of its consumers for water;

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

IT IS HEREBY ORDERED that Russian River Heights Water Company be, and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order, and thereafter charge of its consumers the following schedule of rates, effective as of July 1, 1919:

FLAT RATES

Minimum annual charge, payable in advance.....\$ 14.00
--which entitles consumer to a maximum
of 400 cu.ft. of water per month for
four months.

For each additional month,.....\$ 1.00
--which entitles the consumer to 400
cubic feet of water.

Flat rates for entire year, payable in advance,\$18.00
--which entitles consumer to 400
cubic feet of water monthly.

METER RATES

Minimum annual charge, payable in advance.....\$ 14.00
--which entitles consumer to a maximum
of 400 cu.ft. of water per month for
four months.

All use during other months, 400 cu.ft.
or less.....\$ 1.00

For use over 400 cu.ft.:
Next 3600 cubic feet..... 20¢ per 100 cu.ft.
Above 4000 cubic feet..... 15¢ per 100 cu.ft.

IT IS HEREBY FURTHER ORDERED that within thirty (30) days from the date of this order, applicant shall file with this Commission

rules and regulations for its approval, and shall put same into effect as amended and corrected, which rules and regulations shall provide, among other things, as follows:

- (1) That payment may be made for the full current year in advance, at the option of the consumer.
- (2) That the annual charges shall be due on January 1st of each year.
- (3) That bills shall be rendered for one-half of the annual minimum charge for the balance of the calendar year of 1919 less three-quarters of the minimum annual charge heretofore in effect, which is the proportion of the number of remaining months in the fiscal year to twelve months.
- (4) That in the event that a consumer receives service for only a portion of the month, the rates for the full month will be charged.

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 18th day of July, 1919.

H. J. Loveland

H. P. Anderson

Irving Martin
Commissioners.