

Decision No. 6510

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of Mt. Jackson Water and Power) Application No. 4479.
Company for an adjustment of rates.)

A. F. Lemberger for Applicant.

LOVELAND, Commissioner.

O P I N I O N

This is an application brought by Mt. Jackson Water and Power Company, asking that this Commission authorize it to increase its rates charged for water.

Applicant alleges in effect that Mt. Jackson Water and Power Company, hereinafter referred to as applicant, is a corporation duly organized under the laws of this state, for the purpose of constructing and operating a water plant to supply water to the inhabitants of Rionido and vicinity, Sonoma County; that the schedule of rates in effect was established by this Commission in its Decision No. 755, in the Matter of the Application of Mount Jackson Water and Power Company for authority to increase domestic water rates, Application No. 566, decided June 27, 1913, Vol. 2, Opinions and Orders of the Railroad Commission of California, p. 1088; and that the income produced by these rates is insufficient to meet cost of operation, depreciation, and amortization of applicant's outstanding indebtedness.

Wherefore, applicant asks that it be authorized to put

into effect as of July 1, 1919, such increased rates as seem just and reasonable. The rates heretofore established by this Commission, which applicant is now charging its consumers, are as follows:

For every dwelling house a minimum flat rate of \$6 per year.

For each month when water is used for domestic purposes:

January to May, inclusive,-----	\$.25	per month
June to August, inclusive,-----	1.25	" "
September to December, inclusive,-----	.25	" "

Northwestern Pacific Railroad Company, for use not to exceed 15,000 gallons per day, \$200 per year.

Rionido Hotel,-----\$86.00 per year.

For street sprinkling, per 1,000 gallons, 20 cents.

A public hearing was held in the above entitled application in San Francisco on May 21, 1919.

Rionido is a summer colony located on the Russian River in Sonoma County. A large proportion of the consumers of water under the Mt. Jackson Water and Power Company system are summer residents who remain only for a short time each summer. During the summer months applicant delivers water to some 167 consumers, whereas there are not over 15 residents who are served during the entire year. The district served is still in its development state, the consumers being widely scattered, necessitating a distribution system of great extent for the number of consumers served.

At the hearing, applicant submitted evidence in regard to its financial condition, to the effect that it has outstanding a note for \$10,000, issued with the approval of this Commission, another note of \$500, and current indebtedness aggregating between \$2,500 and \$3,000, or a total outstanding indebtedness of approximately \$13,000.

The rate schedule now in effect has at no time produced a sufficient revenue to enable applicant to declare a dividend.

A field investigation and appraisal of this system was made by Mr. C. I. Rhodes, one of the hydraulic engineers of the Commission. His report shows an estimated original cost of the property of \$15,407, an estimated reproduction cost of \$24,630, and an annual replacement fund of \$242.00. This large investment for the number of consumers served is necessary, both because of the necessity for collecting the water supply from various tunnels, creeks and springs, and also because of the fact that the area served is sparsely settled.

The following tabulation, submitted by Mr. Rhodes, shows the operating expense and gross revenue for the years 1917 and 1918, and the estimated reasonable operating expense for 1919:

<u>I T E M</u>	<u>1917</u>	<u>1918</u>	<u>Estimated 1919</u>
Operating Labor and Expense-----	\$ 887.40	\$1,104.50	\$ 1,280
Repairs to Operating Capital-----	55.75	41.34	50
General and Commercial Expense---	673.50	735.68	750
Taxes-----	84.60	121.00	130
Power-----	84.80	96.38	100
Rental of Right of Way-----	90.00	90.00	90
Insurance-----			
Total Operating Expense-----	\$1,876.05	\$2,188.90	\$ 2,480
Gross Revenue-----	1,927.05	1,914.90	

The annual charges set out above, including interest at 8% on the estimated original cost, total \$3,900.00.

In view of the fact that the area served is sparsely settled and that the system is overbuilt to serve the present number of consumers, it would be unjust to attempt to realize so large a revenue.

Mr. T. C. Mellersh, president and manager of the company, estimates that with very little additional expenditure for

pumping equipment, the existing system could supply at least one hundred additional consumers. Because of the wide variation in the number of consumers served during the year, and the fact that the company must stand ready at all times to deliver water to these consumers, it is a very difficult matter to establish a rate schedule that will distribute the expense of maintaining and operating a system of this character, equitably among the consumers. Those consumers who reside at Rionido only for a short time each year, have maintained for their benefit a system of much larger capacity than would be necessary to serve a population using a like quantity of water delivered during twelve months rather than during three months, as at present. It is therefore necessary that an annual charge be established of sufficient size to meet the cost incurred by the utility due to its readiness to serve.

After a careful consideration of the form of rate schedule in effect in other localities, it appears that the rate schedule established in the order following, will equitably distribute the expense among the consumers. The rate schedule established herein will produce a revenue sufficient to meet operating expenses, depreciation, and return to applicant a sum for interest on a portion of its investment.

O R D E R

Mt. Jackson Water and Power Company having made application to this Commission for authority to increase its rates, a public hearing having been held, and the Commission being fully informed in the premises;

IT IS HEREBY FOUND AS A FACT that the present rate schedule of the Mt. Jackson Water and Power Company, insofar as it differs from the rate schedule herein established, is unreasonable and unjust, and that the rates set out in the following schedule are

just and reasonable rates; and basing its order upon the foregoing finding of fact, and upon the further statements of fact contained in the Opinion preceding this order;

IT IS HEREBY ORDERED that Mt. Jackson Water and Power Company be, and it is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order, the following schedule of rates to be charged of its consumers for all water delivered subsequent to June 30, 1919:

FLAT RATES

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

All use during other months, 400 cubic
feet or less-----\$ 1.00

For use over 400 cubic feet:

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 company may bill consumers on July 1, 1919, for the entire annual charge and on January 1st, 1920, shall bill for one-half of the annual charge which is the balance due for the calendar year 1920.
- (3) That subsequent to January 1, 1920, the annual charges shall be due and payable on January 1st of each year.
- (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. B. Lawrence
H. B. Brundage
Irving Martin
Commissioners.