

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
 James A. Murray, William G. Henshaw)
 and Ed. Fletcher, Co-Partners, doing)
 business under the firm name and)
 style of the Cuyamaca Water Company,) Application No. 4670.
 for an order authorizing and permitting)
 them to place a surcharge upon their)
 present rentals, tolls and charges for)
 water furnished by them.)

-APPEARANCES-

- ✓ Ed Fletcher, for the Cuyamaca Water Company.
- ✓ George & McCoy, for the Consumers of Normal Heights, Kensington Park and Granada Tract, with Judge D.E. Glidden, as of counsel.
- Clarence S. Preston, for various irrigation consumers.
- Marcus W. Roberts, for the consumers of El Cajon.
- D. G. Gordon, in propria persona and temporarily for what has been the C. A. Hooper & Company interests.
- A. Haynes and J. H. Halley, for the Lemon Grove Mutual Water Company.
- George Russell, for the Fairmount Water Company.
- James E. O'Keefe, for the City of La Mesa.
- J. M. C. Warren, for Helix Mutual Water Company.
- E. D. Noble, in propria persona.
- F. J. Lea, in propria persona.
- H. A. Marshall, in propria persona.
- William Steiberg, in propria persona.
- O. D. Wilhite, in propria persona.
- E. W. Moyer, in propria persona.

O P I N I O N

Martin, Commissioner:

This is a proceeding brought by James A. Murray, William G. Henshaw and Ed. Fletcher, co-partners doing business under the firm name and style of the Cuyamaca Water Company for the establishment of a surcharge to be collected by them in addition to the present legal rates.

The application alleges in effect that because of large increases in the cost of labor and material, their expenses have increased so materially that the present rate schedule does not yield a sum sufficient to meet operating expenses, and prays

for an order establishing a surcharge, pending final determination by this Commission of fair and proper rates, sufficient to produce revenue to pay the cost of operation.

A public hearing was held in San Diego on July 22, 1919, at which applicant stated that in addition to asking for an increase due to the increased cost of labor and material, it desired a surcharge to meet an emergency expenditure necessitated by the reconstruction of its so-called El Monte pumping plant, the reconstruction of which is necessary in order to deliver an adequate supply of water during the present irrigation season.

The hearing held at San Diego included partial hearing of the proceedings entitled "In the Matter of the Application of James A. Murray, William G. Henshaw and Ed Fletcher, co-partners, doing business under the firm name and style of the Cuyamaca Water Company, for an order authorizing and permitting an increase in the rentals, tolls and charges for water furnished by them and service rendered by them in furnishing water in the County of San Diego, State of California, Application No.4515," and "Robert Ross, et al., vs. James A. Murray, Ed Fletcher and William G. Henshaw, co-partners, doing business under the firm name and style of Cuyamaca Water Company, Case No.1272," and the presentation of evidence relating to the necessity for the immediate establishment of a surcharge to meet the claimed emergency due to increased costs of operation and the cost of reconstructing the El Monte plant. This last proceeding was submitted, briefs filed and is now ready for decision.

It is clearly established and admitted by all that an emergency exists and immediate action must be taken by the Cuyamaca Water Company to reconstruct the so-called El Monte pumping plant in order to prevent serious losses of crops. The consumers contend that

the water shortage is due to lack of foresight on the part of applicant, and therefore applicant should bear this additional cost and not be recouped from rates. Applicant, on the other hand, takes the position that conditions have been such during the present season as to have made it impossible to know, prior to this time, that it would be necessary to develop and deliver a supply additional to that available in its impounding reservoirs and the cost of reconstructing its pumpint plant is an extraordinary emergency expense to protect its consumers, for which expense it should be recouped by the establishment of a surcharge.

The Cuyamaca Water Company obtains its water supply from the waters of the San Diego River. It has constructed two impounding reservoirs known as the Murray or La Mesa and Cuyamaca. At such seasons of the year as the natural flow of the river is less than is necessary to meet the demands of its consumers, it draws upon the water impounded in these two reservoirs. The Murray Reservoir has a capacity of approximately 6,000 acre feet and the Cuyamaca Reservoir 11,000 acre feet. These two reservoirs deliver water to service areas which are distinct and separate.

From Cuyamaca Reservoir, water is discharged into Boulder Creek from which it is diverted by a small dam some 12 miles below. From the diversion dam it is transmitted a distance of approximately 33 miles by wooden flumes, tunnels and syphons to two small distribution reservoirs known as Eucalyptus and Grossmont or Murray Hill; thence it is distributed through pipes for irrigation and domestic uses.

The Murray Reservoir, which is much lower in elevation than Cuyamaca Reservoir, discharges its impounded water into wood and steel pipes which deliver it to the consumers. When needed, the city of San Diego receives a portion of its supply from this reservoir.

The district served by Murray Reservoir is known as Low service, whereas the district below Eucalyptus Reservoir, which receives its water supply from Cuyamaca Reservoir, is known as High service. The service to consumers in the El Cajon Valley, through which the flume passes and to other consumers along its line, is known as Flume service. The different zones of service will be referred to as above.

From the records of water use and the probable use of the City of San Diego during the remainder of this year, it appears that there is not only sufficient water impounded in Murray Reservoir to meet this demand, but that a considerable surplus exists. The present shortage of supply is on the high and flume service supplied from Cuyamaca Reservoir. Because of the abundance of water in the Murray Reservoir, the company recently put into operation a pumping plant to lift water from the Low to the High service. This plant is located near the City of La Mesa and is known as the La Mesa Plant. It has a capacity of 133 cubic feet per minute which is insufficient to relieve the existent shortage on the high and flume service.

The El Monte pumping plant, which it is now proposed to rehabilitate, is located in the bed of the San Diego River near the line of the flume at a point approximately 12 miles from Eucalyptus Reservoir. Applicant is now drilling five to seven wells from which the water supply will be obtained. This water will be lifted approximately 320 feet by a centrifugal pump and discharged into the flume. The pump has a capacity of 288,000 cubic feet per day and will have a total output of 39,000,000 cubic feet if operated continuously from the estimated date of completion to January 1, 1920.

The original El Monte pumping plant was purchased in 1914 by the Cuyamaca Water Company. The plant was later rebuilt and new equipment installed. It was operated from time to time as needed until the 1916 flood which damaged it to a material extent, since which

it has not been rebuilt nor put into operating condition. It is now proposed to use some of the equipment formerly in place, and by adding additional materials rehabilitate the plant which will necessitate drilling new wells and the construction of pipe lines, pump house, pump and motor foundations, etc.

Estimates of the cost of rehabilitating the El Monte plant and the La Mesa plant and also the cost of operating these plants for the estimated time necessary to produce an adequate quantity of water for the remainder of the year were submitted at the hearing by applicant's Superintendent and Engineer, Mr. C. Harritt, and by the Commission's engineers. These are as follows:

<u>COST OF REHABILITATION</u>	<u>C. Harritt</u>	<u>Commission's Engineers</u>
El Monte Plant,	\$ 5,692 to \$8,000	\$ 5,306
La Mesa Plant,	297	297
Total,-	\$ 5,989 to \$8,297	\$ 5,603
 <u>COST OF OPERATION</u>		
El Monte Plant,	\$11,662	\$ 10,202
La Mesa Plant,	2,755	1,947
Total,-	\$14,417	\$ 12,149

Both engineers submitted carefully detailed analyses of the estimated cost. Mr. Harritt included in his estimate a larger allowance for contingencies than was included by the Commission's engineers.

The consumers, through their representatives, contend that this expense, made necessary by the water shortage, is due to carelessness and negligence of the company in the operation and development of its system.

It is contended by Mr. Haynes, representing certain water users, that the same emergency which made necessary this expenditure has also produced for the company additional revenue from the sale of water

to the City of San Diego. A number of estimates of the revenue which would be produced during the remainder of this year from this source was submitted, varying in amount from \$35,000 to \$45,000.

In regard to this, attention is directed to this Commission's Decision No. 4058, "In the Matter of the Application of James A. Murray and Ed Fletcher for an order fixing rates to be charged and collected for water furnished and to be furnished by them, and service rendered by them in furnishing water, and in furnishing, carrying and conveying water in the County of San Diego, State of California, Application No. 1231," in which the Commission estimated and included in the estimated income of the company the sum of \$41,316 as the amount which would probably be produced by sales to the City of San Diego. The probable revenue during this year from the City is therefore a part of the gross revenue which the Commission recognized in heretofore establishing rates.

It then remains to determine whether or not the expense incurred, because of the emergency, should be borne by the company or the consumers at this time, or should be amortized over a series of years. It is undoubtedly an extraordinary expense necessitated by the 1916 flood and the extreme drought now existing and the cost of replacing the plant as submitted is not in amount equal to the cost of constructing a new plant, but includes only items of extraordinary maintenance caused by the flood damage of 1916.

A study of the financial condition of applicant discloses that it has sustained practically continuous losses for some time past.

Regardless of whether or not the company has in the past failed to conserve its resources, a question which it is not necessary to pass upon at this time, it was clearly shown at the hearing that the present financial situation of the company is acute.

Almost immediately subsequent to the effective date of the

order establishing the present rates of the Cuyamaca Water Company, prices of materials and labor increased, and since that time have been abnormally high. While this matter cannot be given detailed consideration until such time as the entire rate schedule of applicant is before this Commission, it is a factor in determining whether or not an expenditure such as this should be borne by the consumers or by applicant. The emergency must be met and money expended or the consumers will suffer great loss, and we are confronted with a situation where the utility is not financially prosperous, and in this emergency the expense created because of it must under all the conditions of this case be borne by those receiving the direct benefit. After carefully considering conditions, it appears advisable to establish a temporary surcharge to produce the amount expended by applicant in the operation of the El Monte and La Mesa plants, and also produce at least a portion of its expenditures in rehabilitating these plants.

The question of this Commission's jurisdiction to alter outstanding contracts, must, because of the emergency nature of this proceeding be held in abeyance until such time as hearing is completed in the other proceedings relative to this company now pending before this Commission.

Because of this claim, and in order that no rights which these consumers may have shall be prejudiced, this order will be in nature preliminary and without prejudice to any later determination of these rights by the Commission upon complete hearing.

Careful consideration of the matter of the distribution of this expense among the various consumers clearly leads to the conclusion that this additional expense should be borne by all water users alike, regardless of location, in proportion to the quantity of water used by

them and the surcharge established herein is based upon such distribution.

O R D E R

James A. Murray, Wm. G. Henshaw and Ed Fletcher, co-partners doing business under the firm name and style of the Cuyamaca Water Company having applied to this Commission for authority to establish and collect a surcharge for water delivered by them to their consumers and a public hearing having been held, briefs filed and being ready for decision,

IT IS HEREBY FOUND AS A FACT that an emergency exists necessitating increased production of water at an increased cost and that to meet this cost a surcharge should be established over and above legal rates for water heretofore in effect; and that the rates heretofore in effect, insofar as they differ from the rates herein established, are unreasonable and unjust and that the rates herein established are just and reasonable, and basing its order upon the foregoing findings of fact and upon further statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED, that Jas. A. Murray, Wm. G. Henshaw and Ed Fletcher be and they are hereby authorized and directed to file with this Commission within 20 days from date of this order the following rate to be charged by them in addition to the rates heretofore in effect for all water delivered by them to their consumers, effective for all meter readings subsequent to the date of this order: For all water delivered two cents per 100 cubic feet in addition to the rates heretofore collected.

IT IS HEREBY FURTHER ORDERED that the above emergency rate will remain in effect until January 1, 1920, unless otherwise ordered by this Commission.

IT IS HEREBY FURTHER ORDERED that applicant herein submit

reports monthly showing costs of operation and reconstruction of its El Monte and La Mesa pump plants and details of the amount paid to it by its consumers under the above established rate.

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 17th day of August, 1919.

Edwin O. Edgerton

H. B. Loveland

Frank R. Perkins

Iving Martin
