

Decision No. 7007

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the matter of the application)
of the HAYWARD WATER COMPANY for) Application No. 3992.
an order increasing rates.)

Pillsbury, Madison & Sutro, by Felix T. Smith,
for applicant.
C. W. White for the Board of Trustees of the
town of Hayward and the Board of Supervisors
of Alameda County.

BY THE COMMISSION.

O P I N I O N

Hayward Water Company, the applicant in the above entitled proceeding, is a public utility water company engaged in the business of supplying water for domestic and irrigation purposes in the town of Hayward and vicinity. Applicant states that its present rates are not producing the interest return to which the Commission in its Decision No. 2643, "In the Matter of the Application of Hayward Water Company for authority to Decrease Rates", Application No. 1747, decided July 30, 1915, (Vol. 7, p. 731, Opinions and Orders of the Railroad Commission of California) found that said applicant was entitled to receive, and that to earn a return of 8 per cent upon its investment, which by said decision was adjudged a fair return, applicant should now be granted authority to make a very substantial increase in rates. Applicant further states that the net income for the six months immediately prior to the date of the application herein, was but \$144.65, and

if the present rates remain in effect, the estimates of income and expenses for the next following six months indicate that an actual loss would result.

All water is sold to domestic, industrial and irrigation users by measured rates. The following is a schedule of rates in effect at the present time:

Minimum for 300 cu.ft.-----	\$1.00	per month
For use between 300 and 5000 cu.ft.-----	.25	per 100 cu.ft.
For use over 5000 cu. ft.-----	.15	" "
Street sprinkling and Sewer Flushing-----	.15	" "
Fire protection service for the number of hydrants in service July 1, 1914,---	200. 00	per month
Additional fire hydrants-----	1.00	" "

This Commission discussed in detail the various features relating to the establishment of rates for this company in its decision in Application No. 1747, supra. Evidence as to the increased value of the plant at the present time and changed conditions of operation were submitted at the hearing herein. Protestants in the present proceeding contend that a portion of the land, thirty acres in area, upon which the wells from which applicant's water supply is obtained are located, is unnecessary for the production of a sufficient supply of water for the present consumers. From the evidence it appears that they are justified in this conclusion, and that the entire tract is not now used. Protestants further claimed that the cost of the present steam driven apparatus should not be included in the rate base, because an electrically driven unit would be more economical of operation. Attention is directed to the fact that this plant was installed at a time when the price of fuel was much less than at present, and it would most assuredly be unfair to applicant to deduct from the rate base and maintenance and operation expense the expenditures incurred because of this plant.

The evidence submitted in Application No. 1747, supra, and testimony in this proceeding relating to additions to plant,

changed operating conditions, etc., have been carefully considered in their relation to the establishment of a rate base, and it appears that the sum of \$136,000 is a fair amount upon which to compute the interest return to be produced.

Investigation by the Commission's engineers discloses the fact that the operating expenses for the year 1918 were \$17,390.72. The Commission's engineers also submitted an estimate of \$19,000 as the reasonable annual operating expense. This estimate is based upon the past experience of the Hayward Water Company in operating its plant, and also upon the experience of other companies throughout the State, and is reasonable. The increase over 1918 is due to the fact that a contract for fuel oil at a low rate has expired and applicant is now buying at market prices, which are approximately double those heretofore paid. From the data submitted it appears that a replacement fund in the amount of \$1,570 is fair. The rates herein established are designed to produce a sum sufficient to pay operating expenses, depreciation, and a fair return on the rate base.

We desire to call applicant's attention to the great apparent loss of water in its system, which the records show amounted to approximately 55% in 1918. The proper steps should be taken to reduce this loss. If this be done the expenditure per unit of water delivered to consumers would be materially reduced.

O R D E R

Application having been made by the Hayward Water Company for authority to increase the rates charged for water, public hearings having been held and the Commission being fully informed in the matter,

IT IS HEREBY FOUND AS A FACT that the rates now charged by the Hayward Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable

and that the rates herein established are just and reasonable.

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

IT IS HEREBY ORDERED that the Hayward Water Company be and it is hereby authorized and directed to file with the Railroad Commission of the State of California, within twenty (20) days from the date of this order, the following schedule of rates, to apply to all meter readings and other measurements of water subsequent to January 1, 1920:

MEASURED RATE

Minimum for 300 cubic feet -----	\$1.00	per month
For use between 300 and 5000 cu.ft.-----	.30	" 100 cu.ft.
For use over 5000 cubic feet-----	.25	" " "
For street sprinkling and sewer flushing---	.25	" " "
For fire protection service, for the number of hydrants in service on July 1, 1914-	200.00	" Month
Additional hydrants-----	1.00	" Month

Dated at San Francisco, California, this 5th day
of January, 1920.

Edwin O. Edgerton

H. D. Loveland

H. R. Brundage

Commissioners.