

Decision No. 7746.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)
of Mountain Power Company for an) Application No. 5320.
order fixing rates.)

Bell, Brookman Simmons and Creech by
Douglas Brookman and Golden Bell,
for applicant.

Horsch & McNulty by James McNulty, for
Board of Trustees, City of Crescent
City.

LOVELAND, Commissioner:

O P I N I O N

Mountain Power Company, applicant herein, is a public utility engaged in the business of supplying water for domestic and commercial uses to the inhabitants of Crescent City, Del Norte County, and for municipal purposes to City of Crescent City.

In the above entitled proceeding, applicant asks for authority to increase its rates and charges for water service, it being alleged that due to increased operating expenses and the elimination of a large number of fire hydrants by the City of Crescent City the revenue derived from the present rates is insufficient to yield maintenance and operating expenditures and a fair return on the investment. In addition to the establishment of higher rates, applicant asks that a surcharge be established to reimburse it for losses incurred due to the unreasonably low rates heretofore in effect.

The Mountain Power Company was organized in 1912 for the

purpose of developing hydro-electric power on Smith River and supplying water for domestic, commercial and municipal uses in Crescent City. The Company entered the water business at the solicitation of the inhabitants of Crescent City, who desired a more dependable and adequate water supply and better fire protection than rendered by the so-called Childers System, then operating in Crescent City.

The Mountain Power Company acquired possession of the water system in question under authority of this Commission in Decision No. 757, Application No. 277, In the Matter of the Application of W. L. Childers for an order authorizing him to lease the Crescent City Water Works and give an option therein to purchase to James H. Owen, and by the latter to assign the same to the Mountain Power Company (Vol. 2, p. 1091, Opinions and Orders of the Railroad Commission of California.)

It appears that the rates at present in effect were established at the beginning of the company's operation. At present there are 14 metered services and 204 flat rate services, the larger users such as hotels, etc., having metered service.

From the above figures it will be observed that this system is largely unmetered, there being only 14 meters in operation at this time. Attention is directed to the fact that it is impossible to establish a schedule of unmeasured rates whereby the burden of maintaining a plant of this character is equitably distributed among the various consumers in proportion to their use of water. The benefit to be derived from a metered system is not only an equitable distribution of the charges but is also a means whereby the water supply can be conserved, good service rendered and operating expenses reduced.

At the beginning of the company's operations there was a hydrant rental agreement in effect between the municipality and the company, but this arrangement has been a source of much contention and has been changed from time to time. This agreement provided for a payment of \$201. per month for 67 hydrants. Later a dispute arose which was compromised by the City agreeing to pay \$150. per month for hydrant rental and 20¢ per 1000 gallons for water used for street sprinkling. In October, 1928, the City Trustees, by a resolution, eliminated 33 hydrants and proposed to pay \$76.16 per month for the remaining 34 hydrants, which is the same rate per hydrant as was previously paid for the 67. The company has refused to accept payment on this basis and has

brought suit to recover the amount which it claims is due.

Mr. Owen, President of the Water Company, testifying in its behalf, stated that the company was urged to install facilities that would insure adequate fire protection. In line with this policy the company installed larger mains than were necessary to deliver an adequate supply to its other consumers. If any consumer (and the municipality in this instance is a consumer) desires special facilities for the delivery of water, such as pipes of sufficient size so that a comparatively large quantity of water can be concentrated at one point at any time, that consumer must expect to pay the cost of rendering the service. It would be unfair to the other consumers of the company to burden them with the expenditure made for service such as is asked for by the municipality. I am of the opinion that the rate which was originally in effect, namely, \$200 per month for 67 hydrants, is fair and that at least this sum should be produced each month for the municipal service rendered and the expense incurred because of the installation of fire fighting facilities.

In regard to applicant's request that a surcharge be established to reimburse it for losses sustained due to unreasonably low rates during the pendency of this application: Although there may be instances where such a procedure is warranted, we do not find that this is such a case, inasmuch as applicant has at all times had recourse to this Commission and could have at any previous time applied for relief and asked for authority to increase its rates.

A valuation of the property was submitted by Mr. Owen, president of the company, based upon present prices of labor and materials, of \$64,833, in which was included a sum of \$3,000 as promotion and organization expense. This \$3,000 is arbitrarily apportioned by Mr. Owen as a proper amount to be charged against the water system, it being one-third of the actual amount expended for these items for both the power and water companies.

Mr. Owen also submitted a statement of the actual cost of the system as shown by the books, amounting to \$37,857.71. This sum included \$1,270 expended in the rental of the Childers system. However, it was pro-

vided in the Commission's Decision No. 277 previously referred to, that "none of the moneys paid by the Mountain Power Company for the acquisition or lease of the property shall be added to the plant or capital account of the said Mountain Power Company." There is also included \$3,000 charged to organization, etc., \$500 paid for water rights and \$600 paid for a city block which are at present non-operative. Deducting these items, which are not properly chargeable against present consumers, to find the cost of physical properties used and useful shows an expenditure of \$32,487.21.

An estimate of the investment in operative property was submitted by Wm. Stava, one of the Commission's hydraulic engineers, based upon the prices of labor and materials existing during the period of installation of the various structures. The estimated cost new on this basis was found to be \$32,594, and said cost less depreciation, \$25,496. No intangibles were included in this estimate. Mr. Stava also submitted an estimate of the present cost of reproducing this property. This estimate totaled \$61,192 as the cost new and \$44,058 as the cost new less depreciation. It appears that \$500 is a sufficient allowance for organization expense for a company of this size. The replacement fund was computed on a 6% sinking fund basis and amounts to \$311.

After carefully considering all of the evidence, I am of the opinion that the sum of \$33,094 is a fair sum upon which to compute applicant's interest return.

The maintenance and operating cost as shown by the books of the company was carefully investigated for the years 1918 and 1919 and all items were found to be properly charged. The Commission's engineer, however, testified that these expenditures were unusually high as compared to similar systems similarly operated, and it was suggested that Mr. Owen's salary might be eliminated or reduced until the number of consumers increased or the business seemed to warrant this expenditure.

The following estimates of annual charges are considered properly chargeable against the consumers. The estimate for maintenance and operation includes an increase in the pumper's salary and for fuel expend-

iture, and Mr. Owen's salary is eliminated:

Interest \$33,094 at 8%.....	\$2,647
Maintenance and operating expense..	4,008
Annuity 6% sinking fund basis.....	<u>311</u>
Total annual charges.....	\$6,966

The schedule of rates established in the following order is designed to produce the annual charges estimated above. It will also be noted that the fire hydrant rental is increased. Inasmuch as all consumers derive a material benefit from the maintenance of fire hydrant service, it seems fair and reasonable that they should bear a fair proportion of the cost of such service.

O R D E R

Mountain Power Company having made application to the Railroad Commission as entitled above, a public hearing having been held and the Commission being fully apprised in the premises,-

IT IS HEREBY FOUND AS A FACT, that the present rate schedule of the Mountain Power Company, insofar as it differs from the rate schedule herein established, is unjust and unreasonable and the schedule herein established is just and reasonable, and basing its order on the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED, that the Mountain Power Company be and it is hereby authorized to file with the Railroad Commission within twenty (20) days from the date of this order, the following rates for water, said schedule to be and become effective for all bills and meter readings subsequent to the date of this order:

FLAT RATES

For dwellings or tenements and private buildings, not including water for water closets, urinals or for use outside of the building:	<u>Per Month</u>
Dwellings occupied by a single family.....	\$ 1.35
Dwellings occupied by two or more families using same rooms, each family.....	1.10
For families living in stores, flats or apartments, same rates as above.	
For each roomer or boarder in private family....	.20
For boarding or lodging houses not exceeding ten rooms.....	2.50
For each additional room.....	.20
For restaurants and eating houses, each.....	2.10

For each additional private bath tub per month.....	\$.25
For private water closets or urinals, each.....	.25
For public bath tubs or water closets, each.....	.50
For public urinals, each.....	1.00
For horse kept in private stable including water for washing one vehicle whether supplied from house service or otherwise.....	.30
For each additional horse so kept.....	.20
For horses kept in private stables leased or used separately from dwellings: for the first three horses or less.....	1.00
For each additional horse so kept.....	.25
Private garage, one automobile.....	.25
Additional automobiles, each.....	.25
Rates specified for private and public bath tubs, water closets and urinals and houses, apply only when water is supplied for other purposes. For hotels, livery stables, garages, laundries, public buildings, schools, bottling works, manufacturing establishments, irrigating, or where large quantities of water is used monthly, rates by special agreement, or by meter measure- ment.	
For barber shops.....	1.60
For drug stores.....	1.35
For bakeries.....	1.35
For warehouses.....	1.35
For photograph galleries.....	1.35
For blacksmith shops.....	1.35
For wagon shops.....	1.35
For butcher shops.....	1.35
For printing offices.....	1.35
For stores.....	1.30
For saloons.....	1.60
For dentists' offices.....	1.10
For doctors' offices.....	1.10
For office rooms, each.....	.60
For irrigating lawns, household gardens and grounds by the use of hose for sprinkling when water is sup- plied for other purposes, per square yard, one-third cent. A minimum charge will be made for all irrigating and sprinkling of fifty cents per month. Where outside faucets or bibbs are maintained, they will be charged for same as if used for irrigating.	
For lodge rooms.....	1.10
For bowling alleys.....	.60
For skating rinks.....	.60
For shooting galleries.....	.60
For dance and amusement halls.....	.60
For soda fountains, each.....	1.10
Hotels and boarding houses at meter rates.	
Building Purposes:-	
For each barrel of lime or cement used in cement, concrete, stone or brick work.....	.15
For water used to dampen brick, for each 1000 brick.....	.15
Private fire hydrants or stand pipes to be used for fire purposes only:-	
For 2-inch connection.....	1.75
For 1½-inch connection.....	1.25
For 1-inch connection.....	1.00
For ¾-inch connection.....	.75
Municipal Service:-	
Minimum monthly payment \$200.00. This includes service of water through not more than 67 hydrants for sprinkling, fire service, etc.	
For each additional hydrant.....	2.00

METER RATES

For water used by meter measurement the following monthly rates shall be charged:

Forty cents per one thousand gallons for the first 10,000 gallons used in any one month;

Thirty cents per one thousand gallons for each additional one thousand gallons up to 20,000 gallons; and

Twenty-five cents per one thousand gallons for each additional one thousand gallons up to 50,000 gallons.

Exceeding 50,000 gallons in any one month; special rates by agreement, subject to consent of the Railroad Commission.

The minimum charge for water supplied by meter shall be:

5/8 inch meter per month..... \$ 1.25

3/4 inch meter per month..... 1.75

1 inch meter per month..... 2.50

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 19th day of June, 1920.

Edwin O. Ely
H. D. Loveland
H. R. Prudig
Irving Martin
Commissioners.