

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of)
the CLAREMONT DOMESTIC WATER COMPANY)
for order authorizing a raise of rates)
for domestic and irrigation water in)
the City of Claremont and vicinity,)
so as to produce a reasonable interest)
on the investment.)

Application No. 5356.

George Sumner and L.T. Gillett for Applicant.

LOVELAND, Commissioner.

O P I N I O N

This is an application of the Claremont Domestic Water Company, a public utility engaged in the business of distributing and selling water for domestic and irrigation purposes in and in the vicinity of the City of Claremont. In this proceeding applicant asks for authority to increase its rates, it being alleged that the present rates do not produce an income sufficient to equal maintenance and operation expenses, replacement annuity and an adequate return on the investment.

The rates in effect at the present time are as follows:

DOMESTIC RATE

For 500 cu.ft. or less.....	\$1.25
From 500 cu.ft. to 2,500 cu.ft., per 100 cu.ft.....	.15
From 2,500 cu.ft. to 10,000 cu.ft., per 100 cu.ft.....	.12
In excess of 10,000 cu.ft., per 100 cu.ft.,10
---20% discount on all bills paid by the 15th of the month.	
Pomona College and Cemetery Association:	
(Special Rate) per 100 cubic feet,.....	.05
Santa Fe Railroad Company (for park purposes):	
2,000 cubic feet or less.....	1.75
In excess of 2,000 cubic feet, per 100 cubic feet,.....	.10

FIRE SERVICE

For 4" hydrants and larger,.....	\$ 2.00 per month.
For hydrants less than 4",.....	1.00 " "
Minimum charge,.....	100.00 " "

IRRIGATION.

Per Miner's Inch Hour,.....\$0.03

The present domestic rates were fixed by the Board of Trustees of the City of Claremont and became effective May 19, 1913, in accordance with Ordinance No.88 of said City.

In its Decision No. 1677, dated July 18, 1914, In the Matter of the Application of the Claremont Domestic Water Company for order authorizing an advance in rates for domestic water in the city of Claremont, California, and in the rates for irrigation water used adjacent thereto (Application No. 1144), the Commission held that the rates for domestic and irrigation water were adequate. Applicant was ordered to install certain mains and then authorized to charge the rates for fire service set out above.

On October 27, 1919, the Commission made its order, Decision No. 6798, In the Matter of the Application of Claremont Domestic Water Company for a fair and just charge to the seven irrigators supplied under the C. T. Naftel contract on file with the Railroad Commission (Application No. 4090), and the following special rates were authorized

For each hour's operation, to and including 100 hour's operation per consumer.....\$1.20

For each hour's operation over 100 hours..... .90

The history of Claremont Domestic Water Company is fully set out in the above entitled proceedings.

Applicant submitted an appraisal of its water utilities showing a total of \$119,500. The Commission's engineers appraised the same properties at \$90,126. The difference between these totals is represented by a difference in the valuation of the water bearing lands. The appraisal submitted by the Commission's engineers did not

include a tract of ten acres bought for future development, and which the testimony shows was purchased by the company for \$2,607. The evidence also shows that applicant has never purchased any water rights separate and distinct from the land. It claims, however, a value of \$600 per miner's inch for the water developed.

After carefully considering all of the facts relative to the value of the plant, including water rights and intangibles, I am of the opinion that \$92,733 is a fair amount upon which to compute applicant's interest return. The replacement fund, computed by the sinking fund method, is \$1,477.

The maintenance and operation expenses for the years 1918 and 1919, as shown by the books of the company, have been checked and items not properly chargeable to this account have been deducted and do not appear in the following tabulation:

	<u>1918</u>	<u>1919</u>
Operating labor and expense.....	\$2,793	\$2,957
Repairs to operating capital.....	627	416
Distribution system labor and expense.....	156	125
Collections and promotion of business.....	1,090	963
General Expense.....	2,537	2,411
Taxes.....	<u>580</u>	<u>702</u>
Total.....	\$7,783	\$7,574

The evidence relating to applicant's operating expenditures in the past and probable future expenditures has been carefully considered, and it appears that owing to the increase in the cost of electrical energy, labor and necessary supplies, the cost of operation will be increased over that of previous years. An analysis of the evidence shows that the sum of \$8,300 is a fair and just estimate of the future annual cost of operating this system.

The following is a summary of the annual charges set out above:

Interest on \$92,733 at 8%.....	\$ 7,419
Replacement fund.....	1,477
Maintenance and Operation.....	8,300
Total.....	\$17,196

The operating income for 1918 was \$13,342 and for 1919, \$15,114. While it would appear that the existing rate schedule does not yield an adequate revenue, this is believed to be due to the policy followed by this company in allowing a 20% discount on all bills paid within a certain time.

Computations based on tabulations showing details of water use, show that the gross revenue which would have been received by applicant if the 20% discount above mentioned were eliminated, would yield an amount at least equal to the above set out annual charges. I am of the opinion that it is advisable to eliminate this 20% discount. This Commission has provided means whereby a utility can be adequately protected against delinquency in the payment of bills, by the establishment of rules and regulations.

After carefully considering the evidence, I am of the opinion that the relief asked for by the company lies in abolishing its practice of allowing any discount and establishing rules and regulations governing the prompt payment of bills.

O R D E R

CLAREMONT DOMESTIC WATER COMPANY having applied to the Railroad Commission for authority to increase its rates for water served in and in the vicinity of the City of Claremont, 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 Claremont Domestic Water Company are compensatory and would be remunerative, provided the practice of allowing 20% discount on all bills when paid by the 15th of the month, were discontinued.

And basing its order on the foregoing finding of fact and on

the further statements of fact contained in the opinion which pre-
cedes this order,

IT IS HEREBY ORDERED that Claremont Domestic Water Company
be and it is hereby authorized to eliminate from its rate schedule,
effective on and after July 1, 1920, the 20% discount applicable on
all bills paid by the 15th of the month, provided that within ten
(10) days from the date of this order, applicant files a written
statement with this Commission indicating that said discount has been
discontinued.

IT IS HEREBY FURTHER ORDERED that the application of
Claremont Domestic Water Company to increase rates, other than as
hereinabove authorized, be, and the same is hereby denied.

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 28th day
of June, 1920.

H. D. Loveland
Frank R. DeWitt
H. C. Anderson
Irving Martin
Commissioners.