

ORIGINAL

Decision No. 7819

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
San Geronio Water Company for
an order authorizing it to in-
crease its rates.

Application No. 4880

In the Matter of the Application
of Beaumont Land & Water Company
for an order authorizing an in-
crease in rates.

Application No. 4881

Beaumont Irrigation District,
a corporation,

Complainant,

Case No. 1345

vs.

Beaumont Land & Water Company and
San Geronio Water Company,

Defendants.

- APPEARANCES -

Carnahan & Clark, by H.L. Carnahan, for Applicants and
Defendants.

W.E. Evans, H.B. Lynch and A.L. Ellis, for Complainant
and Protestant.

MARTIN, Commissioner.

O P I N I O N

The above entitled proceedings, which were consolidated
for hearing and decision, involve the rates and service of the Beau-
mont Land and Water Company and the San Geronio Water Company.
These companies are public utility water companies engaged in the
business of selling water for domestic and irrigation uses in and in
the vicinity of the City of Beaumont.

The allegations contained in the applications are to the effect that the present rate schedules of these companies do not yield a sufficient income to meet operating expenses, replacement fund and interest on the fair value of the properties used in rendering service.

Complainants in Case 1345 allege that the water supply of the Beaumont Land and Water Company and the San Geronio Water Company, hereinafter referred to as applicants, is inadequate, that said companies are not taking proper action to obtain an additional supply and are not making a full and efficient use of their present production facilities.

The San Geronio Water Company obtains its water supply from the system of the Beaumont Land and Water Company, and is in fact operated from the same office and by the same general staff. These two companies are for the purpose of this proceeding considered as one. The present rates in effect are the same for both companies, and are as follows:

DOMESTIC:

Minimum for 400 cubic feet or less, \$1.25 per month.
From 400 cubic feet to 900 cubic feet, 20 cents per 100 cu.ft.
Over 900 cubic feet, 10 cents per 100 cubic feet.

IRRIGATION:

First 200 miner's inch hours per acre per annum,
3 cents per miner's inch hour.
Over 200 miner's inch hours per acre per annum,
1½ cents per miner's inch hour.
Minimum per month, 50 cents per acre.

The Beaumont Irrigation District, complainant herein, is taking the necessary legal steps to purchase applicant's properties. Some time since this Commission found that a price agreed upon between the Irrigation District and applicants was a fair and reasonable price, and so held in its Decision No. 7420, in the proceedings entitled, -

"In the Matter of the Petition of the Beaumont Irrigation District to fix the valuation of the property of the Beaumont

Land and Water Company" Application 4910, and.-

"In the Matter of the Petition of the Beaumont Irrigation District to fix the valuation of the property of the San Geronio Water Company" Application No. 4911.

The applications for authority to increase rates were filed a short time prior to those of the Beaumont Irrigation District for the fixing of the just compensation to be paid for these properties.

Hearing and decision herein were delayed because of the prospective transfer to the Irrigation District. Although the District is proceeding diligently, it appears that some time will elapse before necessary preliminaries can be completed, a bond election held, bonds issued and the sale consummated. This will necessitate the operation of these plants by the utilities during the major portion of the present irrigation season.

Applicants contend that the delay in the establishment of a fair rate schedule is causing them a material financial loss. Counsel for applicants stated at the hearing that in view of the prospective transfer of these water systems in the near future, applicants would ask at this time for the establishment of a temporary rate schedule or a surcharge which would yield only operating expenses including depreciation. If the systems are not purchased by the districts because of a failure of the people to vote bonds or other reasons, counsel asks that these proceedings be completed and a rate schedule regularly established which will yield a revenue equal to operating expenses, depreciation and a fair interest return on the value of its properties.

At the hearing held herein, it was stipulated that a temporary rate be established. The terms of the stipulation are as follows,-

"That is, that a rate be established and the income derived from that rate be held as a trust fund. If the income derived from the rate established exceeds the operating expenses be-

tween now - between the first of this year and the time the system is turned over to the district, the difference will be returned to the consumers. If the system is not turned over to the district, that is if the district does not finally purchase the system, that the fund be held as a trust fund and if the rates established by the Commission upon the final completion of this rate proceeding do not equal the rates collected during the period between now and the end of the dealings with the district looking to the purchase of the plant, then the sum over and above the rates established by the Commission be returned to the consumers, provided, of course, that the final rates do not equal the rates established."

This stipulation having been made, evidence was submitted relative to the operating expenses and necessary improvements to facilities for the present season.

Applicants' engineers and accountants submitted an estimate of \$36,173 for operating expenses including depreciation during the present year. Mr. M. E. Ready, one of the hydraulic engineers of the Commission, estimated the average annual operation expenses, including replacement fund, to be approximately \$26,500. The gross operating revenue received by applicants during 1919 was \$24,264, and it appears that if the present rate schedule is continued in effect applicants would receive during 1920 approximately the same revenue.

A material portion of the annual operating expenses are incurred in repairs to plant and other preparations necessary before the irrigation season actually commences. We are now in the midst of the irrigation season and a rate schedule or surcharge established at this time would be in effect for only the remainder, or perhaps even less, in the event of more expedition on the part of the district than now seems possible. It is obviously difficult to establish a rate schedule which, together with the rate schedule heretofore in effect, will yield during the present irrigation season a sum equal to applicants operating expenses. The uncertainty as to the date upon which

the Irrigation District will take over the properties, if it does at all, further complicates the problem. However, the probable expenditures have been carefully analyzed, as has the data submitted relative to income and operating conditions. This analysis leads to the conclusion that the rate schedule established should be in the form of a percentage surcharge added to all bills rendered, and that this surcharge should equal approximately 25% additional to the present rates.

In view of the conditions involved in the establishment of this surcharge, the order herein will be made conditional upon applicants holding for return to their consumers any revenue received over and above operating expenses including replacement fund, subject to further order of this Commission as to the method of return, reasonableness of expenditures, and the amount of revenue received.

The matter of the improvement necessary to deliver an adequate supply of water was also the subject of testimony at the hearing. Mr. H.B. Lynch, complainant's engineer, testified that in his opinion, in order to safeguard the supply for the present summer, every pump and well should be operated at all times; that Well No.6 should be re-equipped with pump and motive power and put in operation and that, if possible, two more wells be drilled and equipped, even though they could not be placed in operation before the first of August.

Applicants contend that owing to the shortage of electrical energy, it is impossible to obtain power for new wells during the present summer, and that equipment is being installed upon Well No.6 in order to again put it in operation. Applicants stated their willingness to do all in their power to increase the available water supply and to render adequate service. Although it appears from the evidence that applicants are conforming with all Mr. Lynch's suggestions except the installation of two new wells, it appears advisable to require that a report be filed showing in detail what steps have been taken and are proposed to better service conditions during this irri-

gation season.

O R D E R

The San Gorgonio Water Company and the Beaumont Land and Water Company having applied in the above entitled proceedings for authority to increase rates for water served in Beaumont and vicinity for irrigation and domestic use, and 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 the San Gorgonio Water Company and the Beaumont Land and Water Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established in accordance with the stipulation as set out in the opinion preceding this order, are just and reasonable, and basing its order on the foregoing finding of fact and on the further statements of fact set out in the opinion preceding this order,

IT IS HEREBY ORDERED that San Gorgonio Water Company and Beaumont Land and Water Company be and they are hereby authorized and directed as follows:

(1) To file with this Commission within twenty (20) days of the date of this order a schedule of rates providing for a 25 per cent surcharge on all water bills in addition to the charges for water at the rates heretofore in effect.

(2) To put in effect a 25 per cent surcharge for all bills rendered on and after July first, 1920.

(3) The above surcharge to be and remain effective upon the following conditions and not otherwise:

(a) The San Gorgonio Water Company and the Beaumont Land and Water Company shall return to their consumers any surplus over operating expenses, pursuant to the stipulation included in the opinion preceding this order, as directed by this Commission, at the time when the Beaumont Irrigation District, takes over the ownership and operation of said properties;

and that if said Beaumont Irrigation District does not acquire said properties, said companies shall return to their consumers as directed by this Commission the difference, if any exists, between the charges which would have been collected by it under rates to be established by this Commission when it is finally determined that the district will not acquire said properties, and the charges collected hereunder.

(b) The moneys collected hereunder shall be subject to return to the consumers of said companies, as directed by this Commission, after investigation as to the reasonableness of the expenditures, the amount of revenue received, and such other matters as the Commission may see fit.

IT IS HEREBY FURTHER ORDERED that San Geronimo Water Company and Beaumont Land and Water Company be and they are hereby directed to file with this Commission within fifteen (15) days of the date of this order a statement setting forth what additional service facilities have been installed or that they propose to install and what steps have been taken to better service conditions.

It is understood that this is not a final order in these proceedings, and that the Commission will make such further orders as to it may seem proper with reference to the matters involved.

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 30th day of June, 1920.

H. D. Loveland
W. R. [unclear]
H. R. [unclear]
James Martin
Commissioners