

Decision No. 8105

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of the Northern Oil Company for an)
order authorizing an increase in) Application No. 5185.
water rates.)

Chaffee E. Hall, for Applicant.

By the Commission:

O P I N I O N

This is an application by Northern Oil Company, a corporation, owner of a public utility water system located in Maricopa, Kern County, California, in the region known as the "Sunset Oil Fields", for an order authorizing an increase of water rates for distribution and sale of water to consumers in Maricopa and the environs thereof.

Applicant alleges, in effect, that the present rates do not produce income sufficient to equal operating costs, replacement fund and interest on investment.

The rate in effect at present in this system is two cents per barrel of 42 gallons, with a discount of 2% for cash where the monthly consumption is equal to 25,000 barrels.

A public hearing was held in this proceeding of which all consumers were notified and given an opportunity to appear and be heard. At the hearing Mr. D. H. Harroun, one of the Commission's Hydraulic Engineers, presented a report covering a field investigation, appraisal of properties and maintenance and operation study of applicant's system.

The appraisal submitted by the Commission's engineer shows the estimated original cost of the system to be \$111,522, and gives \$2,937 as the replacement annuity, computed on the sinking fund basis. These estimates were not questioned at the hearing or subsequently, and appear reasonable and therefore will be adopted for the purpose of this proceeding. The report also recommends the sum of \$25,246 as a fair and just estimate of the future annual cost of operating this system.

Applicant leases its water producing properties from the Kern Sunset Oil Company, and there is included in estimated Maintenance and Operating expense, the sum of \$9,055 to cover this expense.

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

Interest on \$111,522 at 8%	\$8,922
Replacement annuity	2,937
Maintenance and operation	34,301
Total estimated annual charges	<u>\$46,160</u>

The total operative income from this system for the year 1919 was \$30,173, and it does not appear that there will be any appreciable increase in income in the near future by reason of increased consumption. It is therefore apparent that this is a case in which the application for authority to increase rates should be granted, and the schedule established in the following order is designed to yield to applicant, maintenance and operation expense, replacement fund, and interest on the investment.

O R D E R

Northern Oil Company having applied to the Railroad Commission for authority to increase the rates charged for water served to consumers on its water system, a public hearing having been held, and the Commission being fully advised in the premises:

It is hereby found as a fact that the rates and charges of the Northern Oil Company, insofar as they differ from the rates herein established, are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates. And basing its order on the foregoing findings of fact and on the further findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that the Northern Oil Company be and it is hereby authorized to file with the Railroad Commission of the State of California within twenty (20) days of the date of this order, and thereafter charge the following rate for water:

3 cents per barrel of 42 gallons.

Dated at San Francisco, California, this 16th
day of September, 1920.

H. J. Loveland
Frank R. Doherty
H. B. ...
Living ...
Commissioners.