

ORIGINAL

Decision No. 8145.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

--oOo--

In the Matter of the Application of )  
James A. Murray, Wm. G. Henshaw and )  
Ed. Fletcher, copartners, doing bus- )  
iness under the name and style of )  
the Cuyamaca Water Company, for an )  
order authorizing and permitting an )  
increase in the rentals, tolls and )  
charges for water furnished by them )  
and service rendered by them in fur- )  
nishing water in the County of San )  
Diego. )

Application No. 4515.

In the Matter of the Application of )  
James A. Murray, Wm. G. Henshaw and )  
Ed. Fletcher, doing business under )  
the firm name and style of the Cuy- )  
amaca Water Company, for an order )  
authorizing and permitting them to )  
place a surcharge upon their present )  
rentals, tolls and charges for water )  
furnished by them, such surcharge be- )  
ing necessary on account of the in- )  
creased cost of operation. )

Application No. 4670.

Robert Ross, et al., )  
Complainant, )

vs. )

Case No. 1272.

James A. Murray, et al., )  
Defendants. )  
..... )

Ed Fletcher, C. C. Crouch, A. H. Sweet, H. A. Encell  
and B. A. Etcheverry for Applicant.

Jesse George and C. S. Preston for various con-  
sumers in El Cajon Valley.

Marcus W. Roberts for consumers in El Cajon.

W. C. Earle and S. J. Higgins for City of San Diego.

Jesse George, C. S. Preston and D. F. Glidden for  
consumers in Granada, Kensington Park and  
Normal Heights.

J. C. Scott for La Mesa Mutual Water Company.

J. H. Halley and Haines & Haines for Lemon Grove  
Mutual Water Company.

Haines & Haines and George Russell for Fairmont  
Water Company.

Arthur T. French for the City of East San Diego.

John G. Mitts for Marlett Mutual Water Company.

James E. O'Keefe for the City of La Mesa.

J. M. C. Warren for Helix Mutual Water Company.

D. G. Gordon, E. D. Noble, F. J. Lea, H. A. Marshall,  
Wm. Steilberg, O. D. Wilhite, E. W. Moyer and  
F. D. Waite, in propria persona.

MARTIN, Commissioner.

### O P I N I O N

The above entitled proceedings, which were consolidated for hearing and decision, involve the rates, rules, regulations, and practices of and service rendered by James A. Murray, William G. Henshaw and Ed Fletcher, who operate a public utility water system in San Diego County, under the fictitious name and style of Cuyamaca Water Company, and by which name it is hereinafter sometimes designated and referred to.

In Application No. 4515, applicants allege in effect that the income derived from the present rates, which were authorized by Decision No. 4058 of this Commission and became effective in April, 1917, is insufficient to pay the costs of maintenance and operation, and a sufficient increase is asked to not only cover these costs but also to yield a reasonable return upon the investment and provide for depreciation.

Protests to the granting of this application or the establishment of increased rates were made by many of applicant's consumers. A large number based their protests upon the grounds that they were in possession of certain contracts executed by and between themselves and the San Diego Flume Company, the predecessor of the Cuyamaca Water Company, over which contracts these protestants claim the Railroad Commission has no jurisdiction as to rates. Other protests were made on the basis that the Company serves water to con-

sumers other than contract holders, much in excess of the safe yield of the system. Still another protest was urged upon the grounds that certain findings and rates set forth in the above mentioned decision (Decision No. 4058), are unjust, unreasonable and discriminatory.

In Application No. 4670, Cuyamaca Water Company asked for an order authorizing and establishing a surcharge, said surcharge to be added to the rates then in effect pending the Commission's Decision in Application No. 4515 herein, it being alleged that due to greatly increased costs of labor and material, such a surcharge was necessary to cover the increased cost of operation. This application was filed June 12, 1919, and a public hearing was held in San Diego <sup>on</sup> July 22, 1919, at which applicant stated that in addition to asking for an increase due to the increased cost of labor and material, it desired a surcharge to meet an emergency expenditure necessitated by the reconstruction of its so-called El Monte pumping plant, the reconstruction of which, it was alleged, was necessary in order to deliver an adequate supply of water for irrigation purposes during the irrigation season of 1919. All phases of the situation were gone into at the hearing and the matter was submitted. On August 11, 1919, the Commission issued its order, Decision No. 6548, in this matter, authorizing a surcharge of 2 cents per 100 cubic feet in addition to the rates theretofore collected, to apply to all meter readings subsequent to the date of the order and remain effective until January 1, 1920.

Petitions for a rehearing in this matter were subsequently filed in behalf of various consumers, and the question presented herein with reference to application 4670 is whether or not a rehearing should be granted.

The complaint in Case No. 1272 is directed against the rates for water charged domestic consumers in Normal Heights and Kensington Park, alleging in effect that said rates are excessive,

unjust, unreasonable and discriminatory, and also that the water furnished consumers in these districts has been at times foul, impure and unfit for use.

Public hearings in the matters of Application No. 4515 and Case No. 1272, and arguments on petition for rehearing of Application No. 4670 were held in San Diego on January 21, 22, 23 and 24, and February 24, 25, 26 and 27, 1920. Subsequently briefs were filed, in accordance with stipulation at the hearing, and the matter is now ready for decision.

Applicants herein have been before this Commission many times in various formal and informal proceedings relating to rates, adequacy of service, available water supply, transfer, efficiency of management and other matters. One of the first proceedings before this Commission was in 1912 and 1913, in Application No. 118, In the Matter of the Application of James A. Murray and Ed Fletcher for an order authorizing and permitting an increase in the rentals, tolls and charges for water furnished by them and service rendered by them in furnishing water in the County of San Diego, State of California. (Vol. 2, P.464, Opinions and Orders of the Railroad Commission of California.) This Commission in its Decision No. 536, decided that applicant herein was operating a public utility water company, subject to the jurisdiction of this Commission, and established a schedule of rates which have been in effect, except as subsequently modified by this Commission, until this time.

In the various other proceedings which have been before this Commission, practically every phase of the operation of this Company has been investigated.

The following is a list of these proceedings, indicating the nature of each:

- Case No. 304 -- Action brought in regard to service.  
Decision issued January 8, 1913.  
Decision No. 400.
- App. No. 118 -- Involving Rates and Service.  
Decisions issued August 26, 1912, March 28, 1913,  
July 1, 1913 and June 26, 1915.  
Decisions Nos. 193, 536, 764 and 2529, respectively.
- App. No. 756 -- Involving rates.  
Decision issued December 31, 1913.  
Decision No. 1186.
- Case No. 631 -- Commission's Investigation--Wholesale Rates.  
Decision issued August 18, 1914.  
Decision No. 1738.
- Case No. 716 -- Action brought in regard to rates.  
Decision issued June 26, 1915.  
Decision No. 2528.
- Case No. 724 -- Action brought in regard to service.  
Decision issued June 26, 1915.  
Decision No. 2526.
- App. No. 1231 -- Involving rates.  
Decisions issued June 26, 1915, August 4, 1915  
and January 25, 1917.  
Decisions Nos. 2525, 2671 and 4058, respectively.
- Case No. 1013 -- Action brought in regard to service.  
Decision issued April 27, 1917.  
Decision No. 4274.
- App. No. 1130 -- Involving sale and issuance of securities.  
Decision issued June 24, 1914.  
Decision No. 1609.
- App. No. 1432 -- Valuation for sale to District.  
Decisions issued June 26, 1915 and August 4, 1915.  
Decision Nos. 2531 and 2669, respectively.
- App. No. 1482 -- Valuation for Sale to City of San Diego.  
Decisions issued June 26, 1915, and August 4, 1915.  
Decisions Nos. 2527 and 2670, respectively.
- App. No. 2759 -- For permission to renew notes.  
Decision issued March 21, 1917.  
Decision No. 4195.
- App. No. 2893 -- To mortgage property.  
Decision issued March 22, 1918.  
Decision No. 5222.
- Case No. 1057 -- Action brought in regard to inadequate service.  
Decision issued February 25, 1919.  
Decision No. 6142.
- Case No. 1280 -- Action brought in regard to service.  
Decision issued May 9, 1919.  
Decision No. 6305.

Reference is made to these proceedings, which by stipulation were made a part of the record herein, for a discussion of the various phases of the operation of this utility, its history, and for a description of its plant. The record in Application No. 118, supra, is especially complete with respect to the company's history, its contractual relations with its consumers, and information relating to the dedication of its water supply to public use. It is therefore unnecessary to again discuss the question of the jurisdiction of this Commission and other historical and descriptive features.

In view of the fact, however, that representatives of some of the consumers questioned the jurisdiction of this Commission in these matters, it appears advisable to point out that the applicants herein have heretofore been before the Commission in some seventeen formal proceedings and a much larger number of informal proceedings. As far back as 1913 this Commission in its Decision No. 536, in Application No. 118, supra, established rates to be charged by applicants for water delivered to their consumers. Again in 1917, applicants herein applied for an increase in rates, which was granted by this Commission in its Decision No. 4058, In the Matter of the Application of James A. Murray and Ed Fletcher for an Order fixing rates to be charged and collected for water furnished and to be furnished by them, and service rendered by them in furnishing water, and in furnishing, carrying and conveying water in the County of San Diego, State of California. (Application No. 1231) (Vol. 12, p. 367, Opinions and Orders of the Railroad Commission of California.)

The seventeen formal proceedings above referred to, may be classified as follows:

Proceedings involving service .....	5
Proceedings involving rates .....	6
Proceedings involving issuance of notes, stocks or securities .....	3
Proceedings involving valuation for con- demnation purposes .....	2
Applications withdrawn at request of Company...	1
Total - - - - -	17

In none of these proceedings heretofore had has the jurisdiction of this Commission been questioned, except in Application No. 118, supra, decided March 28, 1913, in which proceeding no petition for rehearing was filed by either applicants or consumers.

One of the two proceedings above mentioned involving valuation for condemnation purposes, was filed by the La Mesa, Lemon Grove and Spring Valley Irrigation District, which embraced some of the lands now served by applicants.

During the seven-year period since the issuance of this Commission's first decision establishing rates for this system, the owners have expended approximately five hundred thousand dollars for improvements and additions. Applicants herein, with a knowledge of the fact that this Commission had found that they were operating as a public utility expended this large sum of money for additions and betterments, and during the period while this money was being expended, the consumers of this system, with knowledge of the proceedings before this Commission and the expenditure of money by applicants, did not assert their rights of appeal from the Commission's orders and, indeed, in all except one proceeding, did not even file application for rehearing with this Commission.

In regard to the rehearing in Application No. 4670, the evidence shows that an emergency water shortage did occur which required the rehabilitation of the El Monte pumping plant and its operation at the cost of a considerable sum to the company. Furthermore, as shown by the order herein, applicant is entitled to a materially increased rate, at least partially necessitated by largely increased costs of operation.

It is clear, after a consideration of the evidence, that the granting of the emergency surcharge established in Decision No. 6548, in Application No. 4670, was just, and the application for rehearing will therefore be denied.

The proceedings herein involve not alone the rates and

charges of this company, but also the adequacy of service, the diligence of the company in expanding and enlarging its water resources and plant to such an extent as would give assurance of a sufficient water supply to induce the development of the territory served by it, the economic advisability of the construction of some of its existing impounding reservoirs and the construction of additional impounding reservoirs to develop and make available the entire water supply claimed by applicant.

The establishment of a rate schedule for applicant requires that a study be made of the value of the service rendered to the consumers, and the ability of the consumers to pay the rates established, in addition to analyzing cost of operation, the depreciation of the plant, and interest return.

It was contended by representatives of some groups of consumers that the service rendered by applicant was inadequate and in some cases intermittent, that proper care had not been taken by applicant to maintain its system in efficient operating condition, and that therefore operating costs were unduly high and more than should be borne by the consumers.

The Cuyamaca Water Company delivers water for domestic and irrigation purposes to a territory comprising the El Cajon Valley, the Lemon Grove, Spring Valley and La Mesa Districts, a portion of the City of East San Diego and the Normal Heights and Kensington Park districts lying immediately east of the City of San Diego. The district served is very sparsely settled, requiring a very large investment in the distribution system for each consumer. The principal crops produced on the area irrigated are lemons, oranges and vegetables. Applicant delivers water to some 850 consumers for domestic and irrigation purposes. The area irrigated is approximately 3300 acres. To deliver water to this comparatively small number of consumers and small irrigated area requires the installation of nearly 50 miles of pipe lines and 33 miles



of flume.

The San Diego River, from which applicant obtains its water, ordinarily has a considerable flow in the rainy season, and practically none during the summer season. It is therefore necessary for applicant to impound the available water supply during the rainy season, hold it in storage until summer, and then transmit it to the consumer. In order to do this it has been necessary to construct two large impounding reservoirs, having a combined capacity of approximately 19,000 acre feet, with a wooden transmission flume some 33 miles in length, and a distribution system approximately 50 miles long, as stated above. The district served has developed very gradually, and it appears will continue to develop provided a water supply can be obtained at reasonable expense. A comparatively large area of land suitable for cultivation is still available under this system. If this land is utilized, water consumption would be increased, with a consequent increase in revenue.

It has been urged by certain of the consumers appearing at the hearing herein that the company has been lax in proceeding with the development of its water supply and in its efforts to obtain new consumers. It is contended that if applicant had diligently proceeded to develop its business, the resultant use of water would have been sufficient to produce to the company a fair return upon its investment at the present or even lower rates.

The Commission's engineers submitted an estimate of the cost of creating additional storage sufficient to develop the water supply of the San Diego River to its safe yield. This estimate shows that the water thus developed would cost approximately  $4\frac{1}{2}$  cents per 100 cubic feet. This cost does not include the cost of operating the system or any cost of transmitting and delivering the water to consumers.

Some of the consumers contend that it is economically impossible for them to pay a rate in excess of the present rate of  $2\frac{1}{2}$  cents per 100 cubic feet for irrigation. If this contention be correct,

clearly it would be economically unsound on the part of any investor to expend the money necessary to construct an additional reservoir. Safe yield studies of the San Diego River indicate that even with this improvement the system could not be depended upon to supply water for the irrigation of more than 7,000 acres.

A careful analysis of the evidence submitted shows that if present rates are continued in effect and that if the company proceeded with the construction of additional impounding facilities, it would lose money upon each additional acre which it served. It could not hope to make the construction of these additional impounding facilities compensatory, even though it irrigated each year to its safe service capacity.

Inasmuch as a large area of land included within the district served by applicant could be made highly productive if an adequate water supply were available, thus materially increasing the agricultural prosperity of San Diego County, all additional water supplies should be utilized. Such development will not alone enhance the value of the land of the present consumers under this system and add to the wealth of the community, but will also create a market for the commodity which this utility delivers.

It is apparent, however, that to attract money for the necessary impounding facilities, the investor must be assured of a reasonable interest return. To attract this necessary capital, those benefited by this additional water supply and consequent development, must pay an adequate rate to yield the necessary return. It is obvious that had Cuyamaca Water Company heretofore developed its water resources to their capacity, the resultant use of water and the consequent income would have been insufficient to yield to the company a fair return upon its additional investment at the rates heretofore in effect.

It was also contended by representatives of certain consumers that the wooden flume which transmits the water from the diversion dam

to Eucalyptus Reservoir is very old and should be immediately replaced by some permanent type of construction. The economic advisability of continuing this flume in operation or replacing it by a more permanent type of construction was discussed in a report by Mr. C. I. Rhodes, one of the hydraulic engineers of this Commission, which was presented at the hearing and marked "Commission's Exhibit No. A 2." In this report Mr. Rhodes estimates that it would cost approximately \$850,000 to replace the present wooden flume with a concrete flume, and \$1,400,000 to replace it with concrete pipe. The total annual charges, including operation, depreciation, and interest at 8 per cent. upon the value of each of these types of construction, show that the cost of continuing the present flume in operation is far less than that of either of the other two types of construction, even though the cost of maintenance be much higher. However, the records of the company show that there is a material loss of water in transmission which would be at least partially conserved if a concrete flume or pipe line were constructed.

After carefully considering the evidence it appears economically advisable to continue the present flume in operation, with such repairs as are necessary. The condition of the flume however is such that either very extensive repairs must be made in the very near future, or a comprehensive program for its gradual replacement must be inaugurated. The latter course of procedure appears far more desirable, and I shall recommend that the filing of such a program be made a condition to the establishment of rates.

Numerous complaints of service in the Normal Heights and Kensington Park tracts were made at the hearing. The record shows that applicant has not exercised sufficient care in operating the distribution system in these tracts to prevent the accumulation of objectionable sediment. Frequent investigations should be made in these tracts, and when it becomes necessary the mains should be flushed until the objectionable conditions are removed.

The Commission's engineers made an exhaustive investigation

of the company's books and records, and compiled a report showing capital expenditures from the date of purchase by this company to September 30, 1919. This report shows a net capital investment of \$886,877. Applicant's Exhibit A-3 sets out that its capital expenditures to December 31, 1919, were \$825,193. The apparent discrepancy between these two amounts is probably due to the omission by applicant in its exhibit of certain items of capital expenditure which it should have included, such as various sums which were entered in its records as maintenance and operation expenses. Applicant also presented in its Exhibit A-2 an appraisal of its system as of December 31, 1919, which shows a reproduction cost with overhead of \$3,323,357, a reproduction cost less depreciation of \$2,604,167, and a reproduction cost less depreciation and deferred maintenance of \$2,459,567. This includes the sum of \$333,402 for real estate and \$920,000 for water rights. It is unnecessary for the purpose of this proceeding to discuss further these sums or to make a finding of the value of the system because of the fact, as set out later herein, that a rate established which would yield interest upon these sums would be so high as to be unfair to the consumers, and greater than the service is reasonably worth.

A careful analysis of the expenses heretofore incurred by applicant in maintaining and operating its system was made by the Commission's engineers, and based upon this analysis and the knowledge of cost of operating other similar systems, they presented an estimate of probable future operating expenses. The following tabulation shows the operating expenses for the period July 1st, 1915, to December 31, 1919, and also estimated operating expenses for 1920, as set out in exhibits.

	July 1, 1915:	to	1916	1917	1918	Jan. 1, 1919, to	Sept. 30, 1919:	Whole of 1919	Estimated for 1920
Comp-	\$25,060	:	\$80,866.	\$55,926.	\$64,960.	\$61,912	\$88,779.	\$78,612	
any's		:							
Comm.	22,954	:	55,641	51,162	58,842	54,909	--	63,215	
Engrs.		:							

The difference in the amounts reported in the above tabulation is principally due to a different allocation of certain items of expense. The Commission's engineers contend that certain items which have been entered upon the books of the company as maintenance and operation expense should have properly been charged to capital investment, and they have so considered them. The Commission's representatives made an exhaustive study and classification of all expenditures during the period above noted, and the sums set out above are the result of this investigation.

The company contends that in addition to the amount set out above there should be added to its annual maintenance and operation expense the sum of \$28,720 for deferred maintenance. It is claimed that because of insufficient revenues it has been necessary for it to defer the proper maintenance of its system and particularly the repair of its 33-mile wooden transmission flume, and that this delay will necessitate the expenditure of the above mentioned sum for each of the next five years.

As before stated herein, it appears advisable that rather than expend so large a sum upon extensive repairs to this transmission flume, a comprehensive program of reconstruction should be inaugurated. This transmission flume has been in use for some 35 years and is almost entirely depreciated. Its present condition is largely due to this fact and the expensive repairs which applicant terms "deferred maintenance", would in reality be a replacement in large part and should therefore not be termed an operating expense.

The Commission's engineers in their exhibit designated as Commission's Exhibit A-2, estimate that the sum of \$18,654 is a reasonable replacement fund. This amount was arrived at by using the sink-

ing fund method of depreciation. Applicant contends for \$51,065, and states that this amount is at present entered in its books. Although the record is not clear in this respect, it appears that this sum is arrived at by using the so-called straight line method of depreciation.

The record shows that certain portions of the company's distribution system are in soil which contains a sufficient quantity of alkali to cause rapid deterioration, which necessitates frequent replacement. For example, it recently became necessary for the company to place a concrete jacket around the 20-inch pipe on El Cajon Avenue. This concreting was done at a very considerable expense to the company. However, because of it, this pipe line becomes practically a permanent installation.

The character of the soil in certain localities is such that a rapid deterioration of the pipes takes place by action of the salts of the soil attacking the metal of the pipe, thus causing frequent breaks and the consequent large expense for repairs. However, this condition has been cared for by the provision of a materially increased replacement annuity.

For the purpose of comparison only, the following annual charges have been tabulated, based upon the actual investment as reported by the Commission's engineers, the estimated operating expenditures, and replacement annuity:

Interest on \$886,877 @ 8%,	\$70,950.
Maintenance and Operation Expense,	66,000.
Replacement Annuity,	18,660.
T o t a l:	<u>\$155,610.</u>

The sums set out above are not a finding of the reasonable sums for these elements nor is the sum of \$886,877, upon which interest is here computed, advanced as the value of this system.

If the Commission included in the annual charges to be produced by rates, the interest upon the estimated reproduction cost claimed by applicants, the total annual charges would amount to approximately \$351,560.

The foregoing statement of annual charges is included in order that a comparison may be made between the income produced by the present rate schedule, and the annual charges if interest were allowed upon the actual moneys invested by the company.

A rate schedule which would yield the above annual charges would be far more than the traffic could bear, and if such a rate schedule were established it would cause the cessation of a very large part of the irrigation business of this company, which would mean that the investment in the lands now cultivated would be lost and the company would lose a large part of its income. Careful thought has been given to the subject of the establishment of a rate which will yield to applicant the greatest possible income without creating a financial disaster to farmers and other water users in the district served. The rate herein established is designed to do this.

The following tabulation shows the revenues of this company from 1914 to 1919, inclusive:

REVENUES FROM OPERATION						
I T E M S	1914	1915	1916	1917	1918	1919
Domestic Use	\$20,178	\$20,323	\$22,208	\$18,396	\$21,929	\$* 24,918
Irrigation Use	15,475	25,179	25,366	36,287	34,191	* 45,533
Sales to the City of San Diego	16,046	34,885	51,054	0	25,905	33,965
Total Revenues From: Sales of Water	\$ 51,699	\$80,387	\$98,628	\$54,683	\$ 82,025	\$ 104,416
Other Revenues	600	1,369	1,640	2,096	2,665	2,724
Gross Revenues	\$ 52,299	\$81,756	100,268	\$56,779	\$ 84,690	\$ 107,140
Deductions from Revenue	0	0	0	650	609	764
Net Revenues	\$ 52,299	\$81,756	100,268	\$56,129	\$ 84,081	\$ 106,376

\*Of the revenues shown above those from domestic and irrigation sales during 1919 are greater than normal owing to the fact that a surcharge of two cents per hundred cubic feet was granted by the Commission in Decision No. 6548, and was in effect from August 1, to December 31, 1919.

During the years 1914 to 1919, inclusive, the total revenue for the sales of water to the city of San Diego was \$161,855, or an average of \$26,976 per year. The sale of water by the Cuyamaca Water Company to the City of San Diego has heretofore been a very important source of revenue, as shown by the above average annual income. Furthermore, it was so considered by this Commission in its Decision No. 4058, supra, in which decision the Commission stated in part as follows:

"For many years the Cuyamaca Company's main source of revenue was the sale of water in the City of San Diego. Until the City of San Diego purchased the local water distributing system and turned from the Cuyamaca Company to the so-called Spreckels system for its water, the Cuyamaca Company derived the larger part of its revenue from the sale of water in San Diego. Without the city of San Diego as a prospective consumer the construction of this system would not have been justified and probably would not have been undertaken. The loss by the Cuyamaca Company of this customer at the time the city of San



Diego began to take water from the Spreckels system was not the fault of the other consumers of the Cuyamaca Company, nor can any possible failure of the Cuyamaca Company hereafter to sell large quantities of water to the city of San Diego be justification for charging to the company's other consumers rates in excess of the just and reasonable rates herein established."

It appears, however, that it is problematical whether applicant will continue to sell as large a quantity of water, if any, to the city of San Diego, due to the fact that Mr. Ed. Fletcher, one of the applicants herein, as president of the San Dieguito Mutual Water Company, contracted with the City of San Diego recently for the purchase by the latter from San Dieguito Mutual Water Company of two million gallons of water per day.

As before stated by this Commission in its Decision No. 4058, supra, the failure on the part of the Cuyamaca Water Company to sell large quantities of water to the city of San Diego, cannot justify an unreasonable rate to the company's other consumers, and this is especially true in view of the contract above referred to for the delivery of water to the City by a company, the ownership and management of which is at least in part the same as that of applicant herein.

The Commission in its decisions heretofore rendered discussed fully the matter of the rate base to be allowed for this utility. In order to meet the total annual charges set out above, it would be necessary to more than double the present irrigation rates. Records of water used from this system subsequent to the increase of rates established by this Commission in its Decision No. 4058, which became effective in April, 1917, show that there was a very decided reduction in the quantity of water used by the various consumers. During the first year of operation under these rates, the domestic use was curtailed, and only 88% of the quantity used during the preceding year was consumed. Curtailment of irrigation use was greater than in domestic use, and only 69% of the quantity used during the preceding year was consumed during the year following the establishment of rates. However, during the

second year of operation under the new rates, the domestic use was 127% of the use during the last year under the old rates. The irrigation use did not increase in proportion to the domestic use, and was only 72% of the use during the last year under the old rates. Records of use under other systems throughout the state show that when rates are materially increased the use of water decreases. Furthermore, certain of applicants' consumers contend that if rates are increased above a certain point, pumping plants will be installed, and the use of water from applicants' system entirely discontinued by them. Obviously, if so high a rate schedule were established that a large number of applicants' consumers could not continue in business and make a profit, the gross revenue received by applicant would decrease rather than increase. The cost of water does not vary directly with the quantity delivered in this case, because the impounding facilities and distribution system are already constructed, and the expense is not materially increased by the delivery of a greater quantity of water.

Much evidence was introduced at the hearing regarding the ability of the consumer to pay higher rates. From the data presented relating to the cost of production of the principal crops of this territory, it appears that the cost of water is not the most important of the cultural costs, and that a substantial increase in the rate charged for water can be safely absorbed. An analysis of all of the facts submitted leads to the conclusion that the service is worth a greater sum than the consumers are paying at present, and furthermore, that the company is justly entitled to a materially increased rate.

The rate schedule at present in effect is as follows:

DOMESTIC SERVICE

Monthly Minimum Charges:

Inside diameter of service, 3/4 inch and less.....	\$1.00
Inside diameter of service, 1 inch.....	1.25
Inside diameter of service, 1 1/2 inch.....	1.75
Inside diameter of service, 2 inches.....	3.25
Inside diameter of service, 3 inches and larger...	4.00

For All Water Used:

Between 0 and 1000 cu.ft.,.....	0.25 per 100 cu.ft.
Between 1000 and 5000 cu.ft.,.....	0.15 per 100 cu.ft.
Between 5000 and 100000 cu.ft.,.....	0.12 per 100 cu.ft.
Over 100,000 cubic feet.....	0.08 per 100 cu.ft.

IRRIGATION SERVICE

Monthly Minimum Charges on  
Pipe Lines West of Eucalyptus Reservoir:

Inside diameter of service, 3/4 inch and less.....	\$1.00
Inside diameter of service, 1 inch.....	1.25
Inside diameter of service 1 1/2 inches.....	1.75
Inside diameter of service 2 inches.....	3.25
Inside diameter of service 3 inches and larger.....	4.00

Monthly Minimum Charges for Consumers Served  
Through Measuring Boxes on Flume or Tributary  
Lines:

For Indians on El Capitan Indian Reservation.....	No Charge.
For all other services.....	\$2.00

For All Water Used:

Between 0 and 1000 cubic feet.....	0.25 per 100 cu.ft.
Between 1000 and 2000 cubic feet.....	0.15 per 100 cu.ft.
Over 2000 cubic feet.....	0.02 1/2 per 100 cu.ft.

PUBLIC SERVICE

For All Water Used:

For Road and Street Sprinkling and Sewer Flushing.....	0.12 per 100 cu.ft.
---	---------------------

For each Fire Hydrant, the monthly minimum charge,  
which includes monthly payment for all water  
used through such hydrant strictly for fire  
service.....\$2.00 per month.

Other public use except service to the City of  
San Diego, shall be at the rates established  
for domestic service.

The elements entering into the establishment of a rate schedule  
have been carefully considered, and the rate schedule established  
herein, insofar as is possible, equitably apportions the expense of  
service to each class of consumers.

Computations of the approximate annual income which the rate

schedule established herein will yield indicates that a sufficient revenue will be received to meet the necessary and reasonable operating expenses, replacement annuity and certain interest upon the investment in the system.

### ORDER

James A. Murray, William G. Henshaw and Ed Fletcher, doing business under the name and style of Cuyamaca Water Company, having applied for authority to increase rates, tolls and charges for water furnished by them, and

A petition for rehearing having been filed by certain of the consumers of said Cuyamaca Water Company, asking that this Commission's Decision No. 6548 in Application No. 4670 be modified, and

Robert Ross, et al., having filed a complaint against the rates and service rendered by said James A. Murray, William G. Henshaw and Ed Fletcher, and

The above entitled matters having been consolidated, argument having been had and evidence submitted on the question of rehearing, a public hearing having been held, briefs filed, and the matters being now ready for decision,

IT IS HEREBY FOUND AS A FACT, that the rates, tolls and charges heretofore charged by James A. Murray, William G. Henshaw and Ed Fletcher, insofar as they differ from the rates herein established, are unjust and unreasonable, and

IT IS HEREBY FURTHER FOUND AS A FACT, that the surcharge of 2 cents per 100 cubic feet established in Decision No. 6548 in Application No. 4670 is just and reasonable,

And basing its order upon the foregoing findings of fact and upon the other statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that the petition for rehearing in

Application No. 4670 be, and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that James A. Murray, William G. Henshaw and Ed Fletcher be, and they are hereby authorized to file with this Commission, within twenty (20) days of the date of this order, the following schedule of rates, effective for all bills rendered by Cuyamaca Water Company subsequent to September 1, 1920:

MONTHLY MINIMUM CHARGES:

5/8 inch meter.....	\$ 1.25
3/4 inch meter.....	1.50
1 inch meter.....	2.00
1 1/2 inch meter.....	3.00
2 inch meter.....	4.00
3 inch meter.....	7.00
4 inch meter and larger.....	12.00
Measuring Boxes on the flume.....	2.50

For irrigation service the monthly minimum charges shall apply each month whether or not water is used.

MONTHLY METER RATES FOR DOMESTIC SERVICE:

From 0 to 1000 cubic feet, per 100 cubic feet.....	\$0.25
From 1000 to 100,000 cubic feet, " 100 cubic feet.....	0.15
Over 100,000 cubic feet, per 100 cubic feet.....	0.10

MONTHLY METER RATES FOR IRRIGATION SERVICE:

From 0 to 1000 cubic feet, per 100 cubic feet.....	\$0.25
From 1000 to 2000 cubic feet, per 100 cubic feet.....	0.15
Over 2000 cubic feet, as follows, per 100 cubic feet:	

For all consumers on flume except City of El Cajon.....\$0.05

For Lemon Grove Mutual Water Company, Helix Mutual Water Company, or other tracts supplied with water under pressure for irrigation purposes through privately owned pipe lines operated by consumers.....\$0.04

For all consumers supplied with water for irrigation purposes under pressure through pipe lines owned or operated by the company...\$0.06

MONTHLY RATES FOR PUBLIC SERVICE:

For all water used for road or street springling or sewer flushing, per 100 cubic feet.....	\$0.15
Fire hydrants, fire use only,.....	2.00
To Indians on El Capitan Indian Reservation, No Charge.	

SERVICE TO CONSUMERS ON GROSSMONT SYSTEM:

Consumers supplied with water pumped by the Grossmont Pumping Plant shall be charged in accordance with the foregoing rates plus a surcharge of twenty per cent.

IT IS HEREBY FURTHER ORDERED that the rate schedule established above is expressly conditioned upon the filing by James A. Murray, William G. Henshaw and Ed Fletcher, within twenty (20) days of the date of this order, of a comprehensive plan for the reconstruction of the thirty-three mile wooden transmission flume extending from the diversion dam to Eucalyptus Reservoir.

IT IS HEREBY FURTHER ORDERED that James A. Murray, William G. Henshaw and Ed Fletcher be, and they are hereby directed to cause the mains in Kensington Park and Normal Heights Tracts to be flushed whenever necessary to render satisfactory service to the consumers of Cayamaca Water Company in these tracts.

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 24<sup>th</sup> day ~~of August~~ <sup>September</sup>, 1920.

Edwin O. Edgerton

H. D. Loveland

Frank R. DeWitt

H. W. Brundage

Waring Martin  
Commissioners.