

Decision No. 8401.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)
of OCEAN VIEW LAND AND WATER) Application No. 5475.
COMPANY to increase rates.)

W. K. Beattle for Applicant.

MARTIN, Commissioner.

O P I N I O N

This is an application of the Ocean View Land and Water Company, a public utility engaged in the business of distributing and selling water for irrigation and domestic purposes to consumers in a portion of the city of Upland, San Bernardino County, and a tract of land known as San Antonio Heights, situate just north of the city of Upland.

In this proceeding applicant asks for authority to increase its rates, alleging in effect that the present rates do not produce an income sufficient to meet maintenance and operating expenses.

A public hearing was held in this proceeding at Upland, and a field investigation and appraisal of applicant's system was made by a representative of the Commission's Engineering Department.

Ocean View Land and Water Company was incorporated in 1909 for the purpose of supplying water to a tract of land known as San

Antonio Heights. The evidence shows that the company furnishes water to some eighty consumers scattered over a very large and sparsely settled territory. This condition has required a large expenditure for mains in proportion to consumers served, with the result that the revenue produced is not sufficient to meet maintenance and operating expenses. The history of the system indicates that it was built up through a series of transactions which did not tend to economical operation. Legal and financial difficulties have been encountered and the validity of a lease covering a portion of the company's water supply has been questioned, and is now in process of adjudication. The stockholders of the company have not been kept advised of the true conditions, and the difficulties did not come to light until too late to avoid the present situation.

Through the activities of Mr. Milton Stewart, who is president of the company and its principal stockholder, a well has been developed, pumping equipment installed and a reservoir provided, though the financial condition of the company has not been such as to enable it to compensate Mr. Stewart for these improvements, except for taxes and operating expenses, and the company is now heavily in his debt.

Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, submitted a report and appraisal of applicant's system showing the estimated original cost of the used and useful properties of this utility to be \$52,382. Interest on this amount at 8% is \$4,190. A replacement annuity of \$888 was computed by the sinking fund method, which amount is designed to be set aside for the replacement of worn-out properties. It appears that the maintenance and operation expense for the ensuing year will be approximately

\$3,600. No other appraisal or estimate was submitted, and Mr. Van Hoesen's figures were accepted by all parties. The total of the amounts set out above as the annual charges is \$8,678.

The total operating revenue from this system for 1919 was \$3,493. A study of the situation indicates that applicant should have an increased revenue. However, a rate designed to produce the total of the above annual charges would result in an unreasonable burden to the present consumers. Realizing this fact, applicant has submitted a suggested schedule of rates for the Commission's consideration. The amount of revenue which this schedule is calculated to produce appears to be fair and reasonable for the service rendered, and the rates established in the following order are designed to yield a revenue equal to that which would be produced by applicant's suggested schedule. However, the schedule submitted by applicant does not in my opinion properly distribute the charges among the various consumers in proportion to the service received by them. Therefore the schedule was revised in order to allocate the charges properly.

Heretofore applicant has followed a policy of allowing a discount of 10% on current monthly bills if paid by the 15th of the month following that for which they are rendered. The Commission believes that this practice should be discontinued. A public utility can be adequately protected against delinquency in the payment of bills by the establishment of rules and regulations covering this phase of its operation, which may be filed and put into effect upon their approval by the Commission.

After a careful consideration of the evidence herein and all facts relating to the operation of this company, the following

order is submitted:

O R D E R

OCEAN VIEW LAND AND WATER COMPANY having applied to the Railroad Commission for authority to increase water rates, 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 and charges of Ocean View Land and Water 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 charges,

And basing its order on the foregoing finding of fact and on the other statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Ocean View Land and Water Company be and it is hereby authorized to file with the Railroad Commission of the State of California within twenty (20) days from the date of this order, and thereafter charge, the following rates:

RATE SCHEDULE

Quantity Rates per Month:

400 cubic feet or less per month-----	\$1.00
From 400 cu. ft. to 5,000 cu. ft., per 100 cu.ft.-----	.20
From 5000 cu. ft. to 50,000 cu. ft., per 100 cu.ft.-----	.15
All in excess of 50,000 cu.ft., per 100 cubic feet,-----	.10

Minimum Charges per Month:

5/8-inch meter service-----	1.00
1 -inch meter service-----	2.00
1½ -inch meter service-----	3.00
2 -inch meter service-----	4.50
3 -inch meter service-----	6.00

Fire Plugs installed on company's system
at \$1.50 per plug per month.

IT IS HEREBY FURTHER ORDERED that Ocean View Land and Water

Company be, and it is hereby directed to file with the Railroad Commission, within thirty (30) days of the date of this order, a schedule of proposed rules and regulations governing the distribution and sale of water to its consumers, said schedule to be subject to correction or amendment by the Commission, and as finally approved, said rules and regulations shall, within ten (10) days of their approval, be placed on file with the Commission and become effective.

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 November, 1920.

Edwin O. Edgerton

H. H. Cleveland

Frank R. Dwyer

H. H. Brundage

Dwight Martin
Commissioners.