

Decision No. 8546.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
ARTHUR WAGNER for order authorizing)
consolidation of two water plants)
into one Montara Water Plant and) Application No. 5894.
order authorizing increase and adjust-)
ment of water rate charges.)

M. B. Johnson for Applicant.

BY THE COMMISSION.

O P I N I O N

Applicant in the above entitled matter is the owner of a water system through which water for domestic and commercial purposes is supplied to consumers in and in the vicinity of the town of Montara, in San Mateo County. The system as at present constituted consists of two separate entities which are held in one ownership and operated under one management. Applicant contends that it is to the best interests of the district served and will tend to more efficient operation if the two plants are consolidated and operated under one name. It is further alleged, in effect, that the present rates for service are inadequate, and insufficient to provide maintenance and operation expense, a replacement fund, and interest on the investment.

A public hearing was held in this matter before Examiner

Satterwhite in Montara, of which all interested parties were notified and given an opportunity to be present and be heard.

The history of this system shows that applicant acquired one of the units of the present system from California Suburban Home Company and the other from Montara Realty Development Company. These transactions were approved by the Railroad Commission in its Decision No. 7072, dated February 5, 1920. Inasmuch as applicant owns the entire properties serving this territory, said ownership having been acquired under proper authority as indicated, and is operating the same under one management, it would appear to be to the best interests of all concerned if the properties were consolidated and operated under one name, as outlined in the application herein.

Both of these water systems were laid out in 1906 as part of the development of two real estate subdivisions. The promoters of these real estate ventures evidently expected the district to develop sufficiently to cause the operation of the water systems to be remunerative. The territory served, however, has not developed to this extent. On October 1, 1920, there was a total of approximately ten miles of mains and only some sixty-three consumers. Thus there is an average of about 850 feet of main per consumer, which in turn means an unusually large investment for each consumer in proportion to the revenue derived from operation.

The present rates charged by applicant were established in 1906 by the former owners of the separate systems. In the district served by what was formerly the Montara system, a flat rate of 75 cents per month is charged, and a meter rate of 25 cents per 1000 gallons. In the district served by the former California Suburban Home system there is a flat rate only, varying from \$1.00

per month to \$2.50 per month.

For a period, usually, of six months of the year, the entire water supply is obtained from a well, the water being pumped into a concrete lined reservoir from which it is distributed by gravity throughout the system. During the remainder of the year, sufficient water to meet the demands of the consumers is obtained from two small creeks, from which the water flows into the reservoir by gravity.

Mr. M. R. MacKall, one of the Commission's hydraulic engineers, made a field investigation of this system and presented a report and appraisal of the properties. The appraisement of the properties, based upon the estimated original cost, is \$23,590; a replacement fund computed by the six per cent sinking fund method is \$302, and an estimate of the reasonable future annual cost of maintenance and operation is \$1,625. The total annual charges, based upon the figures given above, amount to \$3,814.

The revenue received from the operation of the system since February 1, 1920, the time when the present owner acquired possession of the properties, until October 1st, covering a period of eight months, is the sum of \$879.

Taking into consideration all of the facts, it is apparent that applicant is entitled to receive a more compensatory remuneration from operation, but it is also apparent that a rate designed to produce the total of the annual charges set out would impose an unfair burden on the consumers. In arriving at an adjustment of the rates of this utility which will be equitable to both the company and the utility, it is necessary to take into consideration the present overbuilt condition of the system, and that it was constructed in connection with a real estate project which has

not yet attained its anticipated development.

The schedule of rates established in the following order is designed to produce maintenance and operating expenses, a replacement annuity, and also provide a certain amount for return upon the investment.

ORDER

Arthur Wagner having made application to the Railroad Commission as entitled above, a public hearing having been held thereon, and the Commission being fully informed in the matter,

IT IS HEREBY FOUND AS A FACT, that the rates now charged by Arthur Wagner for water supplied to his consumers are unjust and unreasonable, insofar as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service;

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

IT IS HEREBY ORDERED, that Arthur Wagner be, and he is hereby, authorized and directed to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, said rates to be charged on all bills rendered to consumers on and after February 1, 1921:

MONTHLY FLAT RATES

For residences of six rooms or less-----	\$1.50
For each room additional-----	.10
For each private bath tub-----	.20
For each private toilet-----	.20
Stores-----	1.50
Butcher shops, ice cream parlors and drug stores-----	2.00
For the irrigation of lawns, shrubbery and gardens: for each square yard of surface actually irrigated--	.003

MONTHLY METER RATES

Minimum for 5/8 or 3/4 inch meters-----	\$1.50
Minimum for 1 inch meters-----	2.00
Minimum for 1 1/2 inch meters-----	2.50
Minimum for 2 inch meters-----	3.00
For all use up to 2,000 cubic feet, per 100 cubic feet-----	.30
All over 2,000 cubic feet, per 100 cubic feet-----	.25

IT IS HEREBY FURTHER ORDERED, that Arthur Wagner be, and he is hereby, directed to file with the Railroad Commission within thirty (30) days from the date of this order, proposed rules and regulations for the distribution of water to consumers, said rules and regulations to become effective upon their approval by the Commission.

IT IS HEREBY FURTHER ORDERED, that authority be, and it is hereby granted for the consolidation of the water properties owned and operated by applicant herein, into one system, the same to be operated under the name and style of Montara Water Plant.

Dated at San Francisco, California, this 17th day of January, 1921.

H. D. Loveland

Frank Deane

H. B. Brundage

Commissioners.