

Decision No. F710.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
HERCULES WATER COMPANY, a corporation,)
for an order authorizing it to in-)
crease its rates.)

Application No. 5679.

Pillsbury, Madison and Sutro,
by Milton T. Farmer, M.P.
Madison and E.M. Prince,
for Applicant.

BY THE COMMISSION.

O P I N I O N

Hercules Water Company, applicant herein, is a corporation engaged in the business of supplying water as a public utility to consumers in the towns of Hercules and Pinole and adjacent territory within the County of Contra Costa. In this proceeding said company makes application for authority to increase its rates, alleging in effect that the present rates do not provide sufficient revenue to yield operating expenses, depreciation, and a reasonable return upon the investment.

A public hearing was held in this matter before Examiner Satterwhite in Richmond, and an adjourned hearing was held in San Francisco. All interested parties were duly notified and given an opportunity to be present and be heard.

Hercules Water Company pumps a portion of its water supply

from its own wells and purchases the remainder from East Bay Water Company. The company's wells are located near the town of San Pablo, from which wells the water is pumped through approximately 5.6 miles of cast iron pipe into a ten million gallon concrete reservoir at Hercules. A large part of the water supply is now purchased from the East Bay Water Company at a connection near the San Pablo wells, for which the contract rate of 10 cents per thousand gallons is paid. During six months of the year water is also obtained from Pinole Creek, from which it is pumped into a concrete reservoir situated near the town of Pinole. Through faulty design and construction, however, this reservoir cannot be used to its full capacity.

It appears that Hercules Water Company was organized and incorporated by the Hercules Powder Company in 1902 for the purpose of insuring its powder works an ample and adequate supply of water both for industrial use and fire protection, and that incidental thereto the business of furnishing water to other consumers in that vicinity was developed.

Mr. M. R. MacKall, one of the Commission's hydraulic engineers, made a field investigation of the properties of applicant and at the hearing submitted a report and appraisal of the properties of said company devoted to water use. No objections were made to the appraisal as submitted, which showed an estimated original cost of \$200,206, with an allowance for an annual replacement fund of \$1,349 computed by the sinking fund method.

An estimated annual allowance of \$17,572 was made for maintenance and operation expenses of this system. A consideration of the evidence, however, leads to the conclusion that the amount allowed for the purchase of water was insufficient, and it is believed that the allowance for operating expenses should therefore

be increased to \$18,572, which amount will more nearly approximate the future operating conditions.

The total annual charges based upon the above figures, are summarized as follows:

Interest on \$200,206 at 8%-----	\$16,016
Annual replacement fund-----	1,349
Maintenance and Operation Expense---	<u>18,572</u>
Total-----	\$35,937

The rates now charged by applicant were fixed by the Boards of Trustees of the towns of Pinole and Hercules, and the revenues for 1919 were \$33,474. Applicant is now serving 425 consumers, 414 being domestic of which 250 are metered. The Hercules Powder Company uses more than seventy-five per cent of the total water consumed and because of the inflammable nature of the powder company's product, a very complete high pressure fire system has been installed, with an unusual number of fire hydrants for a system of this size, especially in and about the town of Hercules.

Inasmuch as this system was built and is maintained primarily for a highly specialized service, which inures to the benefit of one particular consumer, it would not be fair to burden the remaining consumers with rates which would yield a full return upon the entire investment. Furthermore, the evidence clearly shows that the system has a much larger capacity than is necessary to serve present consumers. The rates established in the following order have therefore been apportioned in such manner as to eliminate any discriminations which may have existed in the past, charge to each class of consumers a rate which is reasonable for the service rendered, provide maintenance and operation expenses, provide an annual replacement fund and yield a return upon the investment which is fair to the company under existing circumstances.

O R D E R

HERCULES WATER COMPANY having made application to the

Railroad Commission as entitled above, a public hearing having been held and the Commission being fully apprised in the matter;

IT IS HEREBY FOUND AS A FACT, that the rates now charged by Hercules Water Company for water supplied to its consumers, insofar as they differ from the rates herein established, are unjust and unreasonable, 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 upon the statements of fact contained in the preceding opinion;

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Hercules Water Company be and it is hereby 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 for all water delivered to its consumers on and after April 1, 1921, and be and become effective as of that date:

FLAT RATES

Residences, per month-----\$ 1.25

Fire Hydrants:

One outlet, per year----- 3.00

Two outlets, per year----- 6.00

(All other uses at metered rates.)

METER RATES

Readiness-to-Serve Charges:

Domestic Services, per month----- .50

Hercules Powder Company, per month----- 100.00

Quantity Rates:

0 to 300 cubic feet, per month
per 100 cubic feet----- .25

Over 300 cubic feet, per month
per 100 cubic feet----- .20

IT IS HEREBY FURTHER ORDERED, that Hercules Water Company be and it is hereby directed to file with the Railroad Commission within twenty (20) days from the date of this order, for its approval, rules and regulations governing the distribution of water to its con-

sumers, said rules to become effective on their approval by this Commission.

Dated at San Francisco, California, this 5th day of March, 1921.

Frank D. Jones

A. H. Howard

H. B. Brindley

Charles H. Lowell

Commissioners.