

Decision No. 8770

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)
of MIDLAND COUNTIES PUBLIC SERVICE)
CORPORATION for permission to file)
a new and revised schedule of water)
rates in the City of Arroyo Grande,)
San Luis Obispo County.)

Application No. 4058.

Murray Bourne for applicant.

Charles R. Nelson for protestants.

BY THE COMMISSION.

O P I N I O N

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION, applicant herein, asks the Railroad Commission to establish a revised schedule of flat and meter rates for water supplied by it to consumers in the City of Arroyo Grande, San Luis Obispo County. The application alleges in effect that the rates now charged contain certain inequalities which result in discrimination, and that they do not yield a proper and adequate return to applicant.

This matter first came on for hearing in March, 1919, and was considered jointly with Case No. 1253, F. E. Bennett, et al., vs. Midland Counties Public Service Corporation. This complaint involved an allegation that the water supply and system of Midland Counties Public Service Corporation was wholly inadequate and that the service rendered was generally unsatisfactory, all of which was admitted by

the company at the hearing.

Subsequent to the hearing, and after considerable investigation of available sources of supply, and the abandonment of two wells which after being drilled proved inadequate, applicant finally secured two new wells on what is known as Needham Lane, installed thereon a new pump unit and made extensive improvements in the distribution system, thereby providing an adequate water supply and service satisfactory to complainants. Thereupon said Case No. 1253 was dismissed (Decision No. 8273, dated October 25, 1920).

A further public hearing came on in the above entitled application in December, 1920, before Examiner Satterwhite, at which time additional evidence necessary for rate fixing purposes was taken.

The present water supply is provided by pumping from the recently bored Needham Lane wells. The water is forced directly into the distribution mains and the surplus goes to the 30,000 gallon storage and regulating reservoir. The old sources of supply, namely the three Short Street wells and the creek supply, with their respective pump units, are now held as reserve plants for emergency use.

Appraisals of the operative properties were submitted in evidence by Mr. Lloyd Henley, applicant's engineer, and by Mr. E. A. Noble, one of the Commission's hydraulic engineers. The appraisal of applicant's engineer gives the reproduction cost of the system as \$33,387, based on historical cost, and that of the Commission's engineer shows an estimated cost of \$28,285.

Included in the above appraisals is an item of \$1,080, the cost of the two abandoned wells mentioned above, which item may properly be considered as development expense.

After analyzing the above appraisals item for item, and tak-

ing into consideration the resulting small difference in the totals, and allowing that for the present the said reserve supplies are essential for maintaining good service, it is found that \$28,300 is a fair sum upon which return shall be allowed for the purposes of this proceeding. On this basis a depreciation annuity is allowed, computed by the sinking fund method, in the amount of \$402.37. This sum, if accumulated annually, is designed to provide a proper fund for the replacement of worn out properties at the end of their usefulness.

The following tabulation compiled from the data submitted, shows the maintenance and operation expenses and the revenues for the past three years:

	<u>1918</u>	<u>1919</u>	<u>1920*</u>
Operating Revenue-----	\$2,599.61	\$2,719.72	\$3,237.78
Maintenance and Operation Expense-----	3,563.94	4,379.13	4,022.51

*Estimated on basis of 10 months' actual.

From a study of the present operating conditions, and the requirements that good service be rendered to the consumers, together with an analysis of the operating expenses heretofore incurred by applicant, it appears the sum of \$4,000 is a reasonable allowance to include in the annual charges for future maintenance and operation expenses.

The following is a summary of the above items which go to make up the annual charges which should be produced by rates:

Interest on \$28,300 @ 8%-----	\$2,264
Replacement Fund-----	402
Maintenance and Operation Expense	<u>4,000</u>
Total,-----	\$6,666

A recent house survey of water use under this system shows about 220 active services, of which some 186 are for residence use and the irrigation of gardens. There appears to have been an extrav-

agant use of water by consumers which may be accounted for, no doubt, by the unrestricted use under a flat rate schedule. There is also considerable evidence of waste due to leaky house fixtures which would undoubtedly be repaired and put in order if service were received and paid for on a measured basis.

Attention is directed to the fact that it is impossible to arrive at an equitable distribution of the expenses of a water system among its consumers under a schedule of flat rates. The benefits to be derived under a metered system are well known and result in a conservation of the water supply, an equitable distribution of the charges according to use and a saving in operation expenses, which for this utility would be chiefly pumping costs.

It is recommended that this utility adopt some plan for a gradual metering of its entire system.

After considering all the data on water use submitted in evidence, the rates set out in the following order are designed to eliminate, so far as possible, any inequalities or discriminations that may exist, require a rate from consumers that is reasonable for the service rendered, and return to applicant the sum of the annual charges set out herein, which are found to be reasonable:

O R D E R

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION having applied to this Commission for an order authorizing it to increase its rates for water supplied in Arroyo Grande, public hearings having been held and the Commission being fully apprised in the premises;

IT IS HEREBY FOUND AS A FACT, that the present rate schedule of Midland Counties Public Service Corporation, insofar as it differs from the rate schedule herein set out, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be

charged by said company for water.

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

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Midland Counties Public Service Corporation be and it is hereby authorized and directed to file with this Commission within twenty (20) days of the date of this order the following schedule of rates, said rates to be charged for all service to its consumers in the City of Arroyo Grande, rendered subsequent to April 1, 1921, and on that date to supersede any and all rate schedules heretofore filed or in effect for service rendered by said company:

MONTHLY FLAT RATES

1. Residences or tenements of not more than 5 rooms, occupied by single families.....\$1.25
For each additional room..... .10
Additional for each bath tub or flush toilet.. .25
For each private barn, not over two horses or cows..... .60
For each additional horse or cow..... .25
For each private garage where autos are washed on the premises..... .25
2. Private boarding houses, for each boarder, in addition to the family rate..... .15
3. Sprinkling or irrigation of lawns, shrubbery, gardens, etc., per 100 square feet of surface actually watered, payable every month in the year..... .025
4. Offices: for each room so occupied with water tap, except dentists' and doctors' offices..... .60
5. Doctors' and dentists' offices, not exceeding two rooms with water tap..... 1.50
For each additional room with water tap..... .50
6. Livery stables and stock or feed yards, per average number of stock fed, for each..... .30
Minimum monthly payment..... 3.00
7. Public garages: average 5 autos or less..... 3.00
For each additional automobile..... .25
8. Soda fountains, soft drink places and ice cream

- or lunch parlors, in addition to the store rate.....\$1.50
9. Barber shops, for single chair..... 1.50
For each additional chair..... .60
 10. Creameries, bottling works, slaughter houses, laundries and bakeries according to use of water.....\$2.00 to 8.00
 11. Drug stores, butcher shops, undertaking parlors, photograph galleries, pool rooms..... 1.50
 12. Restaurants and cafes, per unit of seating capacity..... .15
Minimum charge..... 2.00
 13. Blacksmith, wagon and repair shops..... 1.50
 14. Public halls, clubs and lodge rooms..... 1.50
Additional for kitchen or buffet in connection with..... 1.00
 15. Small stores or shops not otherwise listed..... 1.00
 16. Living rooms in connection with stores or shops, additional to store rate..... .75
 17. Additional for each toilet or bath tub in 4 to 16, inclusive,..... .25
 18. Bathing establishments, either alone or in connection with other business:
For one public bath tub..... 1.50
For each additional bath tub..... .50
 19. Building Work:
For mortar and to dampen brick, per 1000 brick .25
For cement work and plastering, each barrel of cement or lime used..... .25
 20. Water for hotels, lodging houses, industrial plants or for all purposes and establishments not herein specified, charged for at the meter rates.
 21. Meters may be installed at the request of any consumer or at the option of the utility.

PUBLIC USE:

1. For fire hydrants, including water used for extinguishing fires:
4-inch hydrants, per month..... .75
2-inch hydrants, per month..... .50

2. Water for sprinkling roads and streets by city or county, measured by wagon tank capacity, per 100 cubic feet.....\$.15
3. Water for public buildings and grounds and for all other public use not otherwise specified, to be charged for at the regular meter rates.

METERED USE:

1. Monthly minimum payments for metered use:

For 3/4 inch and 5/8 inch meters.....	\$ 1.00
For 1 inch meters.....	2.00
For 1 1/2 inch meters.....	2.75
For 2 inch meters.....	3.50
For 2 1/2 inch meters.....	4.50
2. Monthly quantity rates (per 100 cubic feet):

For use between 0 and 400 cubic feet.....	.25
For use between 400 and 2000 cubic feet.....	.18
For use over 2000 cubic feet.....	.14

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

Frank R. DeWitt
H. J. Loveland
James Martin

Commissioners.