

Decision No. 9434

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of)
KENNETT WATER COMPANY, a corporation,)
for leave to make a surcharge upon)
its existing rates, and for an order)
of the Railroad Commission fixing the)
amount of such surcharge.)

Application No. 6101.

Charles W. Slack and Edgar T. Zook,
by O. K. Patterson, for Applicant.

Messrs. Carr & Kennedy, by Francis Carr,
for the United States Smelting and Re-
fining Company and for their employees.

John Freichler, for the Board of Trustees
of the City of Kennett.

BY THE COMMISSION.

O P I N I O N

Kennett Water Company, applicant in the above entitled matter, is a public utility water company engaged in the business of selling and distributing water for domestic and industrial purposes to consumers in and in the vicinity of the town of Kennett, Shasta County, California.

In this proceeding applicant asks the Commission to authorize a surcharge to be applied on its existing rates, alleging that the rates in effect do not produce revenue sufficient to defray maintenance and operation expenses and provide a fund for unforeseen contingencies. At this time no substantial interest return is expected to be produced on the investment.

A public hearing was held in this matter before Examiner Westover, at Kennett. All of applicant's consumers were notified of

the hearing and given an opportunity to appear and be heard.

Kennett Water Company has been before the Railroad Commission in two previous proceedings, namely, City of Kennett vs. Kennett Water Company, Case No. 715, Decision No. 2918, dated November 9, 1915, (Vol. 8, p. 395, Opinions and Orders of the Railroad Commission of California) and Hoy, et al., vs. Kennett Water Company, Case No. 1039, Decision No. 4509, dated August 2, 1917, (Vol. 13, p. 649, Opinions and Orders of the Railroad Commission of California). At the hearing herein it was stipulated that the records, reports and evidence with relation to the cases quoted should be considered in evidence in this matter, and reference is therefore made to those proceedings for the early history of Kennett Water Company and other matters pertaining to its operation. The present rates of this utility were approved in Decision No. 4509 supra.

It is alleged that the present rates returned to applicant a sufficient revenue in normal times, but evidence shows that in May, 1919, the United States Smelting and Refining Company, which operates in Kennett and which was applicant's principal consumer, discontinued its operations and by reason of the discontinuance of this industry, the domestic consumption has also been greatly reduced, as shown by the fact that while the smelter was in operation there were some 311 active services; at present there are only about 104 active services.

A field investigation of this system was made by one of the Commission's hydraulic engineers, who presented at the hearing a report recommending an annual maintenance and operation allowance of \$5,718, and also the sum of \$600 as a fair annual replacement annuity for the system computed by the sinking fund method.

Applicant submitted exhibits showing its cost of maintenance and operation for the year 1920 to be \$6,970, and its depreciation allowance \$1,673. This expense, however, included an item

of approximately \$1,800 for extraordinary ditch repair, which the Commission's engineer has amortized over a period of several years.

The following tabulation shows the revenues of applicant as reported in its annual reports to this Commission:

Year:	<u>1912</u>	<u>1913</u>	<u>1914</u>	<u>1915</u>	
	\$11,620.61	\$14,360.20	\$14,332.22	\$13,641.13	
Year:	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>	<u>1920</u>
	\$14,663.66	\$15,692.81	\$15,231.96	\$9,760.03	\$5,678.65

This tabulation and a study of the maintenance and operation expense, indicate that applicant received a liberal return upon its investment during the period that the Smelting Company was operating its plant.

It appears that applicant has made no effort to reduce operating expenses during the present abnormal period, and in view of the existing conditions we believe that economies even more far-reaching than those recommended by the Commission's engineer can be put into effect. The evidence shows that the activities of the community have been much reduced by the suspension of the smelting company's operations and that persons remaining in the town have been forced to curtail their expenditures until smelting operations are resumed. Applicant should practice the most rigid economy in order to reduce its expenditures to a minimum and by so doing it is probable that the revenues received will be sufficient to cover the necessary costs and provide a proper replacement annuity. In this time of stress we believe that it is the duty of applicant to share the burden caused by the loss of the town's principal industry to

the limit of its ability. The rates now in effect are high in comparison with rates in other localities where a similar service is rendered, and the establishment of a surcharge would be a burden upon the present consumers, and would result in a charge that is more than the service is reasonably worth. We are therefore of the opinion that this application should be denied.

O R D E R

Kennett Water Company having made application to the Railroad Commission for authority to establish a surcharge and thereby increase its charges for water, a public hearing having been held and the matter having been submitted,

IT IS HEREBY FOUND AS A FACT that the present rates charged by applicant are reasonable for the service rendered.

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 that the application of the Kennett Water Company for authority to establish a surcharge be and the same is hereby denied.

Dated at San Francisco, California, this 30th day of August, 1921.

H. B. Rendine
H. S. Leonard
Dwight Martin
J. J. Rendine
Commissioners.