

Decision No. 943

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of )  
Mailliard Estate, a corporation, for ) Application No. 435  
permission to make increase in charges. )

McCutchen, Olney and Williard, and A. C. Greene  
for applicant.

EDGERTON, Commissioner.

O P I N I O N

This is an application by the Mailliard Estate for permission to increase rates for water furnished consumers in the towns of Lagunitas and San Geronimo.

No valuation of the plant of applicant was presented, but at the hearing it was stipulated that such valuation might be made by the engineers of this Commission and their report thereon be presented and considered by the Commission in arriving at a decision herein, notwithstanding that said report was not introduced in evidence.

The engineers of this Commission have made an examination of the properties of applicant used and useful in supplying water to the residents of Lagunitas and San Geronimo and have reported a finding of value as follows:

Lagunitas plant .....	\$9,610.00
San Geronimo plant .....	<u>1,140.00</u>
Total .....	\$10,750.00

The present rate charged consumers under both of these plants has been \$6.00 per consumer per annum. In addition to this rate, the company has placed meters on the services of certain consumers in order to check waste and in so doing has

applied a meter rate, which rate was the same as the flat rate of \$6.00 per annum, with an excess charge of 50 cents per thousand gallons for all water used over 4,500 gallons in any one month.

Applicant presented evidence that the income from both plants for the year 1912 amounted to \$717.55. The number of consumers served by these two plants is:

Lagunitas plant .....	107
San Geronimo plant .....	<u>9</u>
Total .....	116

Segregating the income between the two plants and classes of service rendered, we have the following returns under the present rate:

Lagunitas plant 107 consumers at \$6.00 .....	\$642.00
Surplus water sold at meter rates ...	<u>21.55</u>
	663.55
San Geronimo plant 9 consumers at \$6.00 .....	<u>54.00</u>
Total .....	\$717.55

Applicant asks that the flat rate be raised from \$6.00 per annum to \$12.00 per annum to each consumer. Should this be granted, and assuming the same amount of surplus water sold under meter measurements, the following income would result:

Lagunitas Plant:

107 consumers at \$12.....	\$1284.00
Surplus water sold .....	<u>21.55</u>
Say .....	\$1306.00

San Geronimo Plant:

9 consumers at \$12.....	<u>108.00</u>
Total say .....	\$1414.00

Applicant suggests an interest return on the value of its property of 6 per cent per annum, and adopting this percentage

the following income is required to support the properties:

Lagunitas Plant:

Interest 6 per cent on \$9610 .....	\$566.00	
Depreciation .....	431.00	
Operation and Maintenance .....	<u>516.00</u>	\$1524.00

San Geronimo Plant:

Interest 6 per cent on \$1140 .....	68.00	
Depreciation .....	48.00	
Operation and Maintenance .....	<u>60.00</u>	\$176.00

Total ..... \$1700.00

It is, therefore, evident that the increased rate asked for by the Mailliard Estate will not be sufficient to support the properties on the above basis, the annual deficiency being \$218.00 in the case of the Lagunitas plant and \$68.00 in the case of the San Geronimo plant. The surplus available for interest will be for the Lagunitas plant \$359.00, which is 3.73 per cent on its present value, and for the San Geronimo plant there will be no surplus for interest, the income being just sufficient to cover the Maintenance, Operation and Depreciation charges.

Considering the two plants as one property, the combined surplus applicable as interest would be \$359.00 as above determined, which is 3.34 per cent on the total present value of the two properties.

The character of the service rendered by the two plants is entirely different.

At San Geronimo the service is rendered to 9 consumers throughout the year.

At Lagunitas but 12 consumers are permanent residents, the balance being transient and requiring service but for a few weeks or months, principally during the summer season. This transient service is difficult of determination. Investigation of all possible sources of information leads to the belief that the number of consumers and the months during which they will re-

quire service is as follows:

At San Geronimo:

No. of Consumers.	Period for which service is required M o n t h s	Consumer Months
9	12	108

At Lagunitas:

No. of Consumers.	Period for which service is required M o n t h s	Consumer Months
12	12	144
17	7	119
42	3	126
36	1	36
<u>107</u>		<u>425</u>

This transient service makes an equitable rate difficult of determination. Neither permanent nor transient consumers should be burdened with charges incurred on behalf of the other class. For instance if the rate of \$12.00 per year per consumer, which the company asks for, were to be granted, it would require the transient consumer who may require service for one month in the year to pay the same rate which would be paid by the permanent resident who requires service the entire year. This is evidently inequitable. It goes without saying that the transient consumer should not be burdened with a portion of the expense which is properly chargeable to the permanent consumer.

The cost of the service rendered to a consumer may be divided into two parts, the first of which is fixed and does not vary and may be considered to have been incurred and accrues against the consumer because of the necessity of the plant being able at all times to render service to any consumer who may require it. This is evident when we consider that the investment in the plant has been necessitated in order that it may have a capacity to serve the entire number of consumers which may demand service from it. The plant, itself, has been constructed of a capacity to meet the demand of

the 107 consumers. It follows that the interest on this value, together with the annual depreciation and a certain proportion of other charges accrue against the consumer whether constant service is rendered or not. This charge will not vary whether that service is rendered for one month or twelve months in the year. It may be called a "Stand-by" charge or "Capacity" charge. As all services in these plants are of the same size it seems that this charge should be evenly borne by each consumer.

The second charge is a variable charge, and is affected by the amount of service rendered. It may be called a quantity charge and may be consequently apportioned to the consumer in proportion to the amount of service rendered.

It has been seen that in the case of the Lagunitas plant the total income to be produced from that property was \$1306.00. If we segregate this income in accordance with the above principle, we will find that the following are the total charges to be covered by the new rate: ]

Capacity charge .....	\$834.00
Quantity charge .....	<u>472.00</u>
Total .....	\$1306.00

The total fixed charge of \$834.00 is apportioned to the consumers in accordance with their number and amounts to \$7.79 per consumer, per annum.

The quantity charge varying with the service rendered is also determined in the same way. It has been previously found that the 107 consumers on this system will use water during 425 consumer months and the income to be derived from this service charge is \$472.00. Of this amount, about \$22.00 is to be realized from the surplus water sold through meters and will, in consequence, be automatically apportioned to the proper consumers. The balance of \$450.00 represents a charge of \$1.06 per consumer month.

The total rate paid in any one year by a consumer,

would, therefore, be made up of the fixed charge of \$7.79 plus \$1.06 for each month for which service is rendered in that year. On this basis the following would be the schedule for consumers using water for various periods in the year:

For consumers using water for:	Total payment by consumer in the year.
1 month in the year	\$ 8.85
2 months in the year	9.91
3 " "	10.97
4 " "	12.03
5 " "	13.09
6 " "	14.15
7 " "	15.21
8 " "	16.27
9 " "	17.33
10 " "	18.39
11 " "	19.45
12 " "	20.51

In applying this rate the company should collect \$7.79 plus \$1.06, or \$8.85, for the first month in each year during which service is rendered, and thereafter during that year at the rate of \$1.06 per month for the service rendered.

Based on this rate, the following table shows the number of consumers, probable length of service required, amount paid and annual income to the company:

At Lagunitas:

No. of Consumers.	Probable period for which service is required.	Amount paid by each.	Annual income to company.
12	12	\$20.51	\$246.12
17	7	15.21	258.57
42	3	10.97	460.74
36	1	8.85	318.60
Excess water sales by meter, say .....			22.00
Total say .....			\$1,306.00

This, therefore, will return to the company the amount which they ask for in their application, equitably divided among the various classes of consumers. It will be noted that in the case of the permanent consumers who take water throughout the entire year, the average monthly rate paid is \$1.71, which will not be

unduly burdensome under the circumstances.

In regard to the condition of the San Geronimo plant, I would say that \$12.00 per annum, or \$1.00 per month to the 9 permanent consumers is reasonable, and less than the cost of production. Were it not that the company asked only that this rate be granted, I would consider that a higher rate might in equity be made. As previously indicated, this rate will produce a revenue of \$108.00 per annum, which will make a total of \$1414.00 for the two properties, and is the estimated amount which would be received by the company under the increase asked for.

It should be borne in mind that the Lagunitas and San Geronimo plants are entirely separate and distinct as to source of water supply, plant, location and consumers. Hence comparison cannot be made between the two for rate fixing purposes, nor can the difference in rates charged under the two plants be held to be discriminatory.

I submit herewith the following form of order:

#### ORDER

Application having been made to the Railroad Commission of the State of California by Mailliard Estate for an order authorizing it to increase its rates for furnishing water to consumers in the towns of Lagunitas and San Geronimo,

And a hearing having been held on said application, and the Commission being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the present flat rate charged consumers for furnishing water in the towns of Lagunitas and San Geronimo by the Mailliard Estate, - which flat rate is \$6.00 per annum, payable July 1st and delinquent December 31st of each year, - is an unjust and unreasonable rate and charge.

IT IS HEREBY FURTHER FOUND AS A FACT that the following flat rates and charges for water furnished to the inhabitants of the towns of Lagunitas and San Geronimo are just and reasonable

rates and charges, to-wit:

For the town of Lagunitas:

For consumers using water for:	Total payment by consumer in the year:
1 month in the year	\$ 8.85
2 months in the year	9.91
3 " "	10.97
4 " "	12.03
5 " "	13.09
6 " "	14.15
7 " "	15.21
8 " "	16.27
9 " "	17.33
10 " "	18.39
11 " "	19.45
12 " "	20.51

For the town of San Geronimo:

Flat rate of \$1.00 per month.

Basing its order upon the findings of fact set out herein, and also upon the findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California, that Mailliard Estate may file with this Commission a schedule of flat rates and charges for furnishing water to the inhabitants of the towns of Lagunitas and San Geronimo, as follows, said rates to become effective thirty days after filing:

For the town of Lagunitas:

For consumers using water for:	Total payment by consumer in the year.
1 month in the year	\$ 8.85
2 " "	9.91
3 " "	10.97
4 " "	12.03
5 " "	13.09
6 " "	14.15
7 " "	15.21
8 " "	16.27
9 " "	17.33
10 " "	18.39
11 " "	19.45
12 " "	20.51

For the town of San Geronimo:

Flat rate of \$1.00 per month.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad



