

alleging that its present revenues are not sufficient to pay maintenance and operation expense, depreciation annuity, and a reasonable return upon the fair value of the property.

The complaint of E. Melville and other consumers alleges that Sweetwater Water Corporation is now furnishing water to an area in excess of the safe yield of present storage facilities, and is thereby subjecting the complainants and other consumers to danger of an insufficient supply of water in dry years. The Commission is asked to order defendant to refrain from furnishing water for irrigation purposes to any persons or lands not now being supplied, and for such other and further relief as the Commission may deem just and proper.

By consent of all interested parties these two proceedings were consolidated for hearing and decision.

A public hearing was held in San Diego, at which all persons involved were given an opportunity to be present and be heard.

The present rate schedule, established by this Commission in 1919 by Decision No. 6286, and the rates desired by the applicant are as follows:

I T E M S	: Present :	Rates :
	: Rates :	Desired:

MONTHLY MINIMUM CHARGES:

For 5/8-inch meter	\$1.00	\$1.50
For 1-inch meter	1.50	2.25
For 1 1/2-inch meter	2.50	3.75
For 2-inch meter	4.00	6.00
For 3-inch meter	7.00	10.50
For 4-inch meter	12.00	18.00

FOR WATER USED - PER 100 CUBIC FEET:

Between 0 and 400 cubic feet	0.25	0.375
Between 400 and 2000 cubic feet	0.15	0.20
For irrigation use above 2000 cubic feet	0.03	0.06
For use above 2000 cubic feet for other than irrigation use	0.12	0.18

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(with comment)*
This water system was originally constructed by the San Diego Land and Town Company, of Kansas, which also owned large tracts of land, to irrigate which the system was built. Construction was commenced in 1886 and the plant was operated by this company up to 1895, when the company went into the hands of a receiver who managed the property until June 14, 1897. Then all the properties of the San Diego Land and Town Company of Kansas were sold by the receiver to a committee of the creditors for \$889,163.33. This sale was approved by the court on July 7, 1897, and thereafter the creditors transferred the property to a corporation organized for that purpose, called the San Diego Land and Town Company, organized under the laws of the State of Maine. Later the last named corporation transferred the water system to Sweetwater Water Company, organized under the laws of the State of Maine. In 1920 the water system was transferred to Sweetwater Water Corporation, organized January 12, 1920, under the laws of the State of California.

The Sweetwater water system consists of the Sweetwater Reservoir, of 31,000 acre feet capacity, located about 10 miles southeast of the City of San Diego, and impounds the run-off of the Sweetwater River, which has a drainage area of 186 square miles. The dam is a single arch masonry structure with a maximum height of 110 feet and a length of about 700 feet. From the dam two lines, one of 24-inch and one of 30-inch riveted steel transmission pipe, carry the water to the service area. This area includes the cities of National City and Chula Vista and the territory adjacent. The total length of both transmission mains is 11 miles. The distribution system consists very largely of pipes four inches in diameter or larger, with a total length of 78 miles. The system has about 1750 con-

sumers, practically all of whom are metered.

The actual cost of construction of the water system, including water rights and other intangible values, as shown by the company's books, is \$1,426,214. An examination of the various charges, however, indicates that in computing realized depreciation the company has not given itself proper credit for some of the pipe which is still in service. It is further apparent that some items of overhead costs have been omitted, and that very little, if any, interest during construction has been charged. The inclusion of such items of legitimate expense would bring the total actual cost of the system to a figure not far from \$1,600,000.

Appraisals were submitted by Mr. E. R. Bowen, for Sweetwater Water Corporation, and by Mr. F. M. Faude, one of the Commission's hydraulic engineers. These appraisals may be summarized as follows:

I T E M S	E. R. Bowen for the Sweetwater Water Cor- poration	F. M. Faude for the Commission
Lands and Physical Structures	\$1,788,230	\$1,714,450
Water Right Values	497,000	0
Going Concern Value	100,000	0
Operating Capital required	8,800	9,000
Totals	\$2,394,030	\$1,723,450

Mr. Bowen's values for lands and physical structures purport to be "historical values", while the values he assigns to water rights and going concern are admittedly estimates which bear no relation to actual costs. Mr. Faude's appraisal of lands, physical structures and intangible values, is an estimate of original cost.

In the determination of a reasonable rate base for this proceeding, the fact that on January 28, 1921, this entire property was offered for sale to a proposed irrigation district for \$850,000, payable in bonds of the district, should be given some weight. The offer of sale distinctly states that "the price quoted is not to be taken in any sense as the valuation placed upon the property by the Sweetwater Water Corporation, or as expressing the corporation's idea as to what the property is actually worth", and that the "offer is made by the officers of the Sweetwater Water Corporation subject to the approval of the stockholders". I do not regard this line of evidence as conclusive or limiting, but, as stated before, it should be given some weight.

After a careful consideration of all the evidence, I am of the opinion that a reasonable rate base in this proceeding lies somewhere between \$859,000 and \$1,723,450, both figures including \$9,000 for working capital. If the minimum and maximum limits be given equal weight the result will be approximately \$1,300,000, including the necessary working capital.

The depreciation annuity calculated by the sinking fund method at five per cent. is \$13,455.

Maintenance and operating expense for the past three years with an estimate of reasonable expense for the immediate future, is as follows:

Maintenance and Operating Expense	1918,	\$37,295	
"	"	1919,	36,418
"	"	1920,	52,873
Reasonable Expense for the future,		50,460	

In addition to the foregoing reasonable maintenance and operating expense a further allowance should be made to provide for the amortization of certain extraordinary expenses incurred

after the great flood of 1916, and in 1920 and 1921 due to the necessity for changing the location of pipe and services on account of paving of streets in the service area. \$8,500 per annum for the next eight years is a reasonable allowance for this purpose.

Revenues from the sale of water for the past four years have been as follows:

1917	\$86,008
1918	97,613
1919	104,899
1920	111,258

Material increases in revenues in the future cannot be expected under the present rates, as the irrigated area has practically reached the limit of dependable water supply, which cannot be increased without the expenditure of large sums of money to provide additional storage facilities.

Based upon the foregoing estimates of reasonable maintenance and operating expenses, depreciation annuity, allowance for the amortization of extraordinary expenses, and revenues received in 1920, the results of operation are as follows:

<u>REVENUES:</u>		\$111,258
<u>EXPENSES:</u>		
Maintenance and Operation,	\$50,460	
Depreciation Annuity,	13,455	
Amortization allowance,	8,500	
Total Expense,		<u>72,415</u>
NET EARNINGS,		\$38,843

These net earnings are equivalent to a six per cent. return upon \$647,383; a seven per cent. return upon \$554,900; or an eight per cent. return upon \$485,538, and indicate that the utility is entitled to an increase in rates.

Testimony shows that the present irrigation rates charged by applicant are considerably lower than those charged by other

utilities in the southern part of the state which render a similar service.

Based upon the water use in 1920, the rates set out in the accompanying order will yield sufficient revenue to cover all items of expense and yield a reasonable return upon a fair rate base.

It is apparent that consumers under this system will benefit greatly by the formation of an irrigation district and the acquisition and operation of the property. While there are some difficulties in the way of such a procedure, they are I believe mainly caused by differences of opinion and misunderstanding. I am convinced that a reasonable spirit of give and take will result in the removal of the obstacles in the way of a project so greatly to be desired, in view of its manifold advantages.

Studies of the safe yield of the Sweetwater System were made by Mr. Bowen, for the company, and by Mr. C. H. Monett, one of the Commission's engineers. The results obtained were practically identical and indicate, when considered in connection with the area irrigated at present, that the limit of safe capacity of the system for irrigation use has been reached. Further extension of the irrigated area should be discontinued until additional facilities for increasing the water supply have been provided.

The utility has acquiesced in this conclusion, and has filed an amendment to its rules and regulations which will effectually control the situation and which is satisfactory to the complainants. The complaint can therefore be dismissed.

During the hearing complaint was made by a few consumers that, as a result of private plants which pumped direct from the mains, inadequate pressures were sometimes maintained on the

higher levels of the service area. This condition can be materially improved by compelling the owners of such private pumping plants to provide a tank or sump from which to feed their pumps, and I recommend that the utility file and enforce a rule to this effect.

Other matters relating to rules and regulations were considered at the hearing and will be covered by amended rules which the utility will be ordered to file.

I submit the following order:

O R D E R

Sweetwater Water Corporation having made application for permission to increase rates for water delivered to consumers in National City, Chula Vista and vicinity, and E. Melville and others having made complaint against Sweetwater Water Corporation, a public hearing having been held thereon, and the Commission being fully advised in the matter,

It Is Hereby Found as a Fact that the rates now charged by Sweetwater Water Corporation for water supplied to its consumers are unjust and unreasonable in so far 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 upon the statements of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Sweetwater Water Corporation be and it is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order, the fol-

lowing rates for water delivered to its consumers, effective for all service rendered subsequent to October 1, 1921:

RATE SCHEDULE

Monthly Minimum Charges:

For 5/8-inch meter	\$1.25
For 3/4-inch meter	1.50
For 1 -inch meter	2.00
For 1 1/2-inch meter	3.00
For 2 -inch meter	4.00
For 3 -inch meter	7.00
For 4 -inch meter	12.00

For Water Used per Month - Per 100 Cubic Feet:

From 0 to 1000 cubic feet	0.25
From 1000 to 2000 cubic feet	0.15
Over 2000 cubic feet	0.05
For use above 2000 cubic feet for other than irrigation use	0.15

Fire Hydrants - per month, each 2.00

Street or Road Sprinkling - per 100 cubic feet . . . 0.15
Minimum charge for each sprinkling hydrant,
per month. 2.00

All other rates to remain in effect as at present.

IT IS HEREBY FURTHER ORDERED that Sweetwater Water Corporation file with this Commission within sixty (60) days of the date of this order, revised rules and regulations governing service of water to consumers; and

IT IS HEREBY FURTHER ORDERED that the complaint in the above entitled proceeding be and the same is hereby dismissed without prejudice.

The foregoing Opinion and Order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of September, 1921.

H. C. Brundage
H. D. Loveland
J. W. Martin
W. H. Brown
 9. *M. J. Leland*