

Decision No. 9723.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
OLIVE MILLING COMPANY, a corporation,) Application No. 6768.
for authority to increase rates.)

Head and Rates by G. K. Scovel, for
Applicant.

Scarborough, Forgy & Reinhaus by
H. G. Forgy, for Consumers.

BENEDICT, Commissioner.

O P I N I O N

Olive Milling Company, applicant herein, operates a public utility water plant for the purpose of supplying water for domestic purposes in Olive, Orange County, and vicinity. In this proceeding it is alleged by applicant that the revenue received from its consumers at the present schedule of rates is not sufficient to cover operating expenses, depreciation and interest upon the money invested.

A public hearing was held in this matter at Olive before Commissioner Benedict, of which all consumers were notified and given an opportunity to appear and be heard.

The Olive Milling Company was incorporated in May, 1887, primarily for the purpose of milling flour and grain. A water system was installed to furnish water for the mill and afterward was extended to supply consumers in the townsite of Olive. Water is pumped from a well into a concrete distributing reservoir situated on a high point of ground overlooking the town.

Applicant did not present an appraisal of its property.

Mr. F. H. Van Hoesen, one of the Commission's engineers, presented a report covering the results of a field investigation, an appraisal of the property and a study of the cost of maintenance and operation. His appraisal shows an estimated original cost of the system of \$10,558 and a replacement annuity of \$153, computed by the 6% sinking fund method. This report also recommends the sum of \$1,348 as an estimate of reasonable annual cost of maintaining and operating the system. These estimates were not questioned at the hearing and appear fair and reasonable.

The following is a summary of the annual charges as indicated above:

Return on \$10,558 at 8%	\$845
Replacement Annuity	153
Maintenance and Operation Expense	1,348
Total estimated Annual Charges	\$2,346

The operating revenue from this system for the year ending April 1, 1921, was \$1,830.75, of which amount some \$800 was received from an oil well which was operated near Olive, but which has since been abandoned. It does not appear that there is reason to expect any notable increase in business in the near future. It would appear that applicant is entitled to an increase in rates.

However, the evidence shows that the distribution system covers a large area which is very sparsely settled and it would be unfair to applicant's present consumers to require them to pay rates sufficient to yield a full return upon the entire cost of this overbuilt system.

The schedule of rates set out in the following order is designed to return to applicant maintenance and operating expense, replacement annuity, ^{under the circumstances a fair} and ~~an~~ amount to apply as return on the investment.

O R D E R

Olive Milling Company having made application for authority to increase the rates for water served in and in the vicinity of Olive, Orange County, a public hearing having been held and the matter having been submitted,

It Is Hereby Found as a Fact that the rates and charges of the Olive Milling Company, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged for the service rendered.

And basing its order on the foregoing findings of fact and on the further statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Olive Milling Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, to be charged for all water delivered to its consumers on and after December 1, 1921.

MONTHLY METER RATES:

For use from 0 to 500 cubic feet, per 100 cu.ft. \$0.30
From 500 to 1000 cubic feet, per 100 cu.ft.25
All in excess of 1000 cubic feet, per 100 cu.ft. .15

MONTHLY MINIMUM RATES:

For 5/8 inch by 3/4 inch meter \$1.50
For 3/4 inch meter 1.75
For 1 inch meter 2.00
For 1 1/2 inch meter. 2.50
For 2 inch meter 3.00

IT IS HEREBY FURTHER ORDERED that the Olive Milling Company be and it is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order, rules and regulations governing its relations with its consumers.

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 5th day of November, 1921.

H. B. Wendig
H. D. Loveland
William M. Mason
Charles J. Brown
W. J. Pennington
Commissioners.