

Decision No. 9724

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application )  
of GRANITE ROCK WATER COMPANY for )  
permission to establish a revised )  
schedule of rates for water service. )

Application No. 7008.

C. B. Smith for applicant.

M. E. Levy, for contestants.

MARTIN, Commissioner.

O P I N I O N

Granite Rock Water Company, applicant herein, is a public utility water company, engaged in furnishing water for domestic and industrial purposes in Granada, Marine View, Marine View Beach, Marine View Civic Center, Riviera and Moss Beach, San Mateo County, California.

Applicant alleges that it has not heretofore operated as a public utility but has furnished water for domestic purposes to some sixty consumers free of charge or at rates arbitrarily established; wherefore applicant asks that the Railroad Commission make its order authorizing applicant to establish rates.

A public hearing was held in the present proceeding at Moss Beach, San Mateo County, of which all of applicant's consumers were duly notified and given an opportunity to appear and be heard.

The evidence shows that this system is a consolidation of

four water plants formerly known as the Moss Beach Realty, Marine View, Granada, and Moss Beach. The plants were installed to provide a water supply for various real estate subdivisions and were formerly operated independently. The properties were acquired by applicant at various times and at a nominal cost. They are now operated as one system, except the Granada plant, which is a separate unit because of its being located apart from the other systems.

Water for the Granada system is obtained by diversion from McMahon Gulch, and the supply for the other plants is purchased from the Montara Water Works. Both of these services provide a gravity supply. Water is also pumped from a spring when the gravity supply becomes inadequate.

There are approximately 123 consumers served by the consolidated system of whom 30 are metered.

It was claimed at the hearing, by the people of Granada, that when their lots were purchased promise of free water was made to them by the selling company, but no further evidence was presented to sustain this claim. As the Granada system has been transferred to and is now a part of the Granite Rock Water Company, it appears reasonable that the consumers in this section should be charged the same rates for water as consumers on other parts of the system.

No appraisal of the property was presented by applicant, but Mr. D. E. Harroun, 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 physical properties of the system of \$20,871, and recommends \$238 as a proper replacement annuity, computed by the 6% sinking fund method. This report also recommends the sum of \$1,639 as a fair estimate of the future annual cost of maintaining and operating this system. These estimates were not questioned at the hearing, and appear reasonable.

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

Return on operating capital at 8%,.....	\$1,670
Replacement annuity 6% sinking fund.....	238
Maintenance and operation cost.....	1,639
Total estimated annual charges.....	<u>\$3,547</u>

The total revenue from this system for the year 1920 was \$332, and there is no reason to expect any decided increase in business in the near future. It would appear therefore that authority to increase the rates should be granted; however, the system is overbuilt, there being approximately 429 feet of distribution mains per service, and rates based on the estimated annual charges of \$3,547 as shown above, would appear to be greater than the service is reasonably worth, and too great a burden on the consumer. Therefore the rates herein established are designed to produce annually a sum sufficient to meet maintenance and operating expenses, replacement annuity and some return upon the actual investment.

I submit the following form of order:

### O R D E R

Granite Rock Water Company having applied to the Railroad Commission for the establishment of rates to be charged by it for water service in Granada, Marine View, Marine View Beach, Marine View Civic Center, Riviera and Moss Beach, San Mateo County, California, 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 Granite Rock Water Company in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates and charges herein established are just and reasonable rates.

And basing its order on the foregoing finding of fact and on the further 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 the Granite Rock Water Company be and it is hereby authorized to file with this Commission within twenty (20) days of the date of this order the following rates, to be charged for all service rendered subsequent to November 30, 1921:

FLAT RATES

Minimum annual charge for full year, payable in advance, ..\$18.00  
 Minimum charge, payable in advance, entitling consumer to water for six months,..... 12.00  
 For each additional month,..... 2.00

METER RATES

Minimum charge, payable in advance, entitling consumer to 300 cubic feet of water per month for six months,.....\$12.00  
 Each additional month,.....1.00  
 Over 300 cubic feet per month, per 100 cubic feet,..... .30

IT IS HEREBY FURTHER ORDERED that Granite Rock Water Company file with this Commission for its approval, within thirty (30) days from the date of this order, rules and regulations to govern 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 9th day of November, 1921.

H. B. Boudreau  
H. D. Lovelace  
Waring M. Austin  
D. J. [unclear]  
J. J. [unclear]  
 Commissioners