

Decision No. 9747.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of )  
CAMP ROSE COMPANY, a Corporation. )  
for authorization to increase water )  
rates to consumers. )

Application No. 6956.

- Arthur Barendt, for Applicant.
- Paul F. Fratessa, for Mrs. Peter Fratessa.
- J. J. Flaherty, in propria persona.
- A. J. Ferroggiaro, in propria persona.
- Mrs. Katherine Sylvester, in propria persona.
- C. B. Greeley, in propria persona.
- K. C. Strackmeyer, in propria persona.
- Mrs. Donahoe, in propria persona.

BY THE COMMISSION.

O P I N I O N

The application in the above entitled proceeding alleges that the present rate for water supplied to consumers does not yield sufficient revenue to enable the applicant to continue service except at a continual loss; and that it has been necessary to expend this year \$1550 for improvements to the system, although it was extremely difficult to secure the necessary funds. The Commission is therefore asked to increase the present annual rate from \$6.00 to \$18.00 per year for each consumer.

A public hearing was held in the above entitled matter before Examiner Satterwhite in San Francisco, of which all

interested parties were notified and given an opportunity to appear and be heard.

The Camp Rose Company, a corporation, was organized in 1908 for the purpose of selling real estate, in conjunction with which it also installed and operated a small water system serving its subdivided lots. The territory served comprises some one hundred and sixty acres known as Camp Rose, and is a summer resort located on the Russian River about two miles above the town of Healdsburg, in Sonoma County.

The water supply is obtained from springs, and a well which is located at the edge of the Russian River. The location of the springs is such that only a few of the consumers can be supplied by gravity, which necessitates pumping most of the supply. Water is stored in five redwood tanks of a total capacity of fourteen thousand gallons and distributed through approximately 14,500 feet of one and one half and two inch pipe lines.

This year there were sixty consumers, all but eight of whom were summer residents only, using water from a few weeks to four months. The present rates are six dollars per year, payable in advance, and were fixed by the applicant in 1908.

No inventory or appraisal of the system was presented by the applicant, and there are no records of the cost of installing the original system; however the applicant estimated the total investment in the plant to date to be \$5,960, including abandoned and replaced equipment, and claimed that the future annual operation and maintenance expenses will be \$381, and that the revenues for 1920 amounted to \$360.

Mr. H. R. MacKall, of the Commission's Hydraulic Division, submitted a report and appraisal of this plant, based upon available records of installation in which the estimated original cost

of the system was shown as \$4,096, the replacement annuity calculated by the sinking fund method as \$79, and recommended as reasonable an annual allowance of \$725 for maintenance and operation expenses. It is believed that by careful and economical management the applicant can reduce considerably the amount estimated by it as being necessary for power and labor expenditures.

A careful consideration of the evidence, therefore, leads to the conclusion that the estimates of the Commission's engineer are fair and reasonable and they are used herein.

The total estimated annual charges based upon the foregoing figures are \$1,132, and the revenues for the year 1920, amounted to \$360. It is evident therefore that the applicant is entitled to an increase in rates. However, the system is overbuilt to such an extent that to allow a full return upon the invested capital, over and above the costs of maintenance, operation and depreciation, would place an undue burden upon the rate payers.

Considerable dissatisfaction was expressed by the consumers because of former inadequate and intermittent service. Testimony indicated that since certain improvements were installed this year, service conditions have been greatly improved, but that the water served from the well is of poor quality and distasteful in spite of chlorination. It is expected that the applicant will take such steps as are necessary to supply water of potable quality.

Objection to any increase in rates was made by some consumers because of the fact that in certain of the deeds to the lots sold to them by the applicant, there was a provision purporting to convey to the purchaser a right to obtain water from this

system for an annual payment of \$6.00 where lots were purchased for cash, and for \$7.50 per year for a period of five years and thereafter \$6.00 per year, where the lots were purchased on deferred payments. Other deeds contain no such provisions.

To approve a rate to certain favored consumers wholly out of proportion to what would under the present conditions be considered a reasonable rate, would necessarily result in improper and unfair discrimination and would render it necessary for some consumers to pay excessive rates to insure that the utility continue in business. In determining a reasonable rate herein, it is upon the assumption that all consumers are to pay the established rate without discrimination.

In arriving at an adjustment of the rates of this utility, which will be equitable both to the company and the consumers, it is necessary to take into consideration the present overbuilt condition of the system, and that it was constructed in connection with a real estate project which has not yet attained its anticipated development. The schedule of rates established in the following order is designed to produce maintenance and operation expenses, replacement annuity, and also provide a certain amount for return upon the investment.

#### ORDER

The Camp Rose Company, a corporation, having made application as above, a public hearing having been held, and the matter having been submitted,

It Is Hereby Found as a Fact that the rate now charged by Camp Rose Company for water supplied to its consumers is unjust and unreasonable in so far as it differs from the rate herein established and that the rate herein established is a just and

reasonable rate for such service.

And basing its order upon the foregoing findings of fact and upon the statements of fact contained in the opinion which precedes this order.

IT IS HEREBY ORDERED that Camp Rose Company be and it is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order the following rate for water delivered to its consumers at Camp Rose, effective as to all service rendered on and after December 31, 1921:

Annual charge for the calendar year,  
payable in advance. \$15.00.

IT IS HEREBY FURTHER ORDERED that Camp Rose Company file with the Railroad Commission within thirty (30) days from the date of this order, rules and regulations governing service to its consumers, to become effective upon their acceptance for filing by this Commission.

Dated at San Francisco, California, this 10<sup>th</sup>  
day of November, 1921.

*H. B. Brundage*

*Dwight Mather*  
*Chas. B. Johnson*

*W. A. Renshaw*  
Commissioners.