

Decision No. ~~1042~~ 9803.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)
of FRED H. DRAKE for an order) Application No. 7134.
fixing and adjusting water rates.)

Morrison, Dunn and Brobeck by
E. H. Faleger, for Applicants.

BY THE COMMISSION:

O P I N I O N

This proceeding, brought by Fred H. Drake as agent for the Mercantile Trust Company of San Francisco is an application for an order of this Commission authorizing an increase in the rates and charges for water furnished for domestic purposes to consumers in the unincorporated town of San Carlos, San Mateo County.

The application alleges in effect that the Mercantile Trust Company is the owner of the public utility water distribution system supplying the town of San Carlos; and that the rates at present in effect do not produce sufficient revenue to meet the reasonable annual charges of the system, including depreciation allowance and a return upon the investment. The Commission is therefore asked to establish rates which will yield an adequate return.

A public hearing was held in this proceeding at San Carlos.

before Examiner Geary, of which all interested parties were notified and were given an opportunity to appear and be heard.

San Carlos townsite was a real estate subdivision acquired from the Phelps Estate about 1910 by the San Carlos Park Syndicate. This corporation installed a water system, including a pumping plant and a 135,000 gallon concrete sump, together with certain distribution mains. The water supply was obtained from the Spring Valley Water Company's Alameda pipe line and was pumped to a concrete reservoir on an elevation above the tract.

In November, 1915, the San Francisco Peninsula Company, a corporation, took over the properties under foreclosure proceedings, subject to a Deed of Trust dated April 2, 1910, from the San Carlos Park Syndicate to the Mercantile Trust Company. On May 24, 1917, the Mercantile Trust Company was obliged to foreclose on the properties and thus obtained title to all unsold lots in the subdivision and to the water system. The new owners made large extensions to the distribution mains in the tract and about 1920 discontinued using the pumping plant above mentioned, having extended the 4-inch distribution line to a connection with the Spring Valley Water Company's pressure main at the Belmont Pump Station. The present distribution system consists of about 11,330 feet of 4-inch and 15,090 feet of 2, 1½ and 1 inch mains, largely standard screw pipe. 92 services have been installed, all of which are metered.

The rates at present in effect are 22½ cents per 100 cubic feet with a minimum charge of \$1.00. At the time these rates were put into effect they were practically identical with the rates charged the utility by the Spring Valley Water Company and consequently there was little or no provision for any losses in transit, for costs of maintenance of the distribution system or for the costs of collection.

The following are the Spring Valley Water Company's present rates, at which applicant now purchases water for distribution and

sale to consumers in San Carlos:

Monthly service charge for each 2-inch meter.....\$5.40
For the first 3,300 cubic feet of water delivered, 28.8¢ per 100 cu.ft.
For the next 30,000 cubic feet of water delivered, 25.2¢ per 100 cu.ft.
For all over 33,300 cubic feet of water delivered, 21.6¢ per 100 cu.ft.

Following a field investigation and an examination of the records of the utility, Mr. E. A. Noble, one of the Hydraulic Engineers of the Commission, compiled a report setting forth a detailed inventory and appraisal of the system. This report, submitted in evidence, shows the estimated original cost of the properties, at present used and useful, as \$14,392, and the depreciation annuity computed by the sinking fund method at 6 per cent as \$336.

Applicant submitted what was entitled a cost inventory of the system showing a total of \$19,419.75, and included \$5,250 for the pumping equipment which the evidence shows is not now utilized. This cost inventory is admittedly based largely on estimates. The evidence shows that the actual original cost of the system is not obtainable from the records available. The following compiled from the book accounts, shows the maintenance and operation expenses for the year 1920:

Water purchased from S.V.W.Co.,	\$3,107.58
Electric power for pumping,	10.36
Labor charged to repairs and upkeep,	417.06
Total,-	\$3,535.00

It appears that the above total does not include certain expenses incurred that are properly chargeable to maintenance and operation expenses, namely: Superintendence, collection and office expenses. The item of labor includes only part time of one man at the rate of \$4.50 per day. Up to this date the water system has not been directly assessed for taxes and there has been no expense for insurance.

After a careful consideration of all the above facts, together with the operating methods and practices obtaining, and the

conditions of upkeep of the system, it is estimated that \$4,500 is a reasonable amount to be allowed in the annual charges for future maintenance and operation expenses, including the cost of water secured for resale. The present rate schedule produced a revenue of \$2,887.62 during 1920, which amount it is apparent was inadequate to return the actual maintenance and operation expenses.

The evidence shows that the water system has been installed and operated by the certain real estate promoters who have been engaged in the subdivision and sale of lots in the tract. While the growth in the community has been rapid during the past two years, the tract still remains sparsely settled with an over-built distribution system, and it would be unreasonable to burden the present consumers with rates which would yield a full return on the investment in the system. After a study of the metered water use for 1919 and 1920, introduced in evidence, the rate schedule set out in the following order has been designed to yield reasonable annual charges for future operation of the system, including maintenance and operation expenses, depreciation annuity, and a partial interest return on the investment.

O R D E R

Fred E. Drake, agent of the Mercantile Trust Company, having applied to this Commission for an order authorizing an increase in rates on the San Carlos Water System, a public hearing having been held and the matter having been submitted,

IT IS HEREBY FOUND AS A FACT that the present rates charged by Fred E. Drake for water supplied to consumers on the San Carlos Water System, 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 such

service;

And basing the order on the foregoing finding of fact and the statements of fact contained in the opinion preceding this order:

IT IS HEREBY ORDERED that Fred H. Drake, as agent of the Mercantile Trust Company be and he is hereby authorized to file with this Commission within twenty (20) days from the date of this order the following schedule of rates to be charged for all service rendered subsequent to December 31, 1921:

RATE SCHEDULE

Metered Use:

Monthly minimum charges for metered use.

For 3/4 inch and 5/8 inch meters.....	\$1.50
For 1 inch meter.....	2.50
For 1 1/2 inch meter.....	3.75
For 2 inch meter.....	5.00

Monthly quantity rates:

For use between 0 and 3,000 cubic feet, per 100 cu.ft.,..	0.40
All use over 3,000 cubic feet, per 100 cubic feet,.....	0.35

IT IS HEREBY FURTHER ORDERED that Fred H. Drake, agent for Mercantile Trust Company, be and he is hereby directed to file with this Commission within (30) days from the date of this order, rules and regulations to govern the relations between the utility and its consumers, such rules and regulations to become effective upon their acceptance for filing by this Commission.

Dated at San Francisco, California, this 23rd
day of November, 1921.

H. P. Brundage
James Martin
Robert H. Price
W. A. Meredith
Commissioners.