

Decision No. 9948

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application of )  
THE CORONADO WATER COMPANY, a cor- )  
poration, for an investigation by )  
the Railroad Commission of its Rates, )  
Charges, Rules, Regulations and )  
Practices in the City of Coronado and )  
the territory served by the Coronado )  
Water Company, and the establishment )  
of proper and adequate Rates, Charges, )  
Rules, Regulations and Practices. )

Application No. 7228.

Read G. Dilworth, for the applicant.  
Arthur Wright, for the City of Coronado.  
E. W. Peterson in propria persona.

BY THE COMMISSION.

O P I N I O N

This is an application for permission to increase rates by The Coronado Water Company, a public utility supplying water to consumers in the City of Coronado and adjacent territory in San Diego County.

The application alleges in effect that due to the failure of the utility's Otay Wells it is necessary to purchase practically the entire water supply from the City of San Diego at a cost greatly in excess of the former pumping expense, and that the revenues derived from the sale of water at present rates will not be sufficient to provide for maintenance and operating expense, depreciation and a reasonable return upon the investment. The Commission is therefore asked to fix reasonable rates and rules for the service rendered and, as an emergency measure, to permit applicant to add to its present

rates a surcharge of six cents per thousand gallons, pending a final determination of the matter.

A public hearing was held in Coronado, before Examiner Satterwhite, of which all interested parties were notified and given an opportunity to be present and to be heard.

Coronado Water Company was incorporated under the laws of the State of California on July 14, 1886. During that year a water system was constructed and the company has since that time supplied water to consumers in the City of Coronado and vicinity.

The present water system consists primarily of transmission pipe lines, wells, reservoirs and a distribution pipe system.

The main transmission pipe line has its beginning at the Coronado "Y", on the Otay-San Diego Pipe Line, about  $2\frac{1}{2}$  miles west of Lower Otay Dam. From this point 20-inch wood stave, 20-inch riveted steel and 16-inch cast iron pipe lines convey water in a westerly and northwesterly direction, a distance of 16.2 miles to the southerly limits of the City of Coronado. About 6 miles west of the Coronado "Y" is located the Highland Reservoir, a concrete lined tank of 1,725,000 gallons capacity. One mile west of Highland Reservoir, in the valley of the Otay River, are two wells equipped with electrically driven pumps. A second section of transmission line, consisting of an 8-inch cast iron, flexible, ball joint, pipe, 4232 feet long, extends from a point near the Coronado Ferry Slip, under San Diego Bay, to the junction of Market and Atlantic Streets in the City of San Diego. This is usually referred to as the submarine pipe line.

The distribution system consists of 31 miles of cast iron and screw pipe, ranging in size from 16 to 1 inch in diameter. A steel distribution reservoir of 466,000 gallons capacity is located on the highest point in the City of Coronado. There are 1328 meters on the system.

Water delivered to consumers is secured by pumping from

the Otay Wells and by purchase from the City of San Diego at the Coronado "Y" and at the foot of Market Street. In 1917 95 per cent of the entire supply was pumped but since then the wells have gradually failed, until in October, 1921, the quality of the water became so poor and the quantity so small that practically the entire supply had to be secured by purchase. Water purchased at the foot of Market Street is at the rate of 20 cents per 1000 gallons while the purchases at the Coronado "Y" are at a rate of approximately 10 cents per 1000 gallons. The contract covering purchases at the Coronado "Y" expires on February 6, 1922, and thereafter the rate will be advanced to 20 cents.

The J. D. and A. B. Spreckels Securities Company, acting for the Coronado Water Company, has acquired a tract of land in the Tia Juana River Valley, has drilled wells, and has made application to the State Water Commission for a permit to pump up to a maximum of 5 million gallons daily from this source. This application has not yet been decisively acted upon by the Water Commission, but is being held in suspense pending the submission of additional measurements of underground and surface water in the valley which cannot be completed until sometime in 1922. If this application is granted there will be made available an abundant supply of fairly cheap and potable water, and purchases from the City of San Diego can be reduced to a minimum.

Practically all water is sold at meter rates as follows:

From 0 to 10,000 gallons, per 1,000 gallons.....	\$0.30
From 10,000 " 15,000 gallons, per 1,000 gallons.....	0.20
Over 15,000 gallons, per 1,000 gallons.....	0.15

Consumers using 250,000 gallons or over per month are charged per 1,000 gallons.....\$0.125

Outside the City of Coronado water is supplied through master meters to three consumers who in turn distribute the water to consumers through their own distribution systems. The rate per 1,000 gallons charged for such wholesale supply is, 0.12

The United States Government is supplied with water for use at the aviation field on North

Island at the rate of, per 1,000 gallons,.....\$0.125  
Water supplied to the City of Coronado for  
municipal purposes, is at the rate of, per  
1,000 gallons,..... 0.25

A very few consumers are supplied with water  
at flat rates ranging from \$1.00 per month  
upward.

The monthly minimum charge for service is..... 1.50

The original cost of the system as shown by the company's  
books is \$636,054 on September 30, 1921.

The applicant presented an appraisal of the property show-  
ing an estimated reproduction cost, as of December 31, 1920, of  
\$811,752, and a present value of \$685,711.

Mr. F. M. Faude, one of the Commission's hydraulic engin-  
eers, presented a report which showed an estimated original cost of  
lands, rights-of-way, and physical property, using as nearly as  
possible the actual costs of materials and labor which prevailed at  
the time the various items were constructed. The total as developed  
by this estimate was \$675,482, and indicates that the book costs are  
extremely reasonable.

This report also showed a depreciation annuity for the  
future, calculated by the sinking fund method, amounting to \$8,500.

An estimate of future maintenance and operating expense,  
based upon the purchase of the entire water supply from the City of  
San Diego, was also presented and amounts to \$105,736, of which  
81 per cent was for water purchased. If 90 per cent of the total  
supply is purchased and the remainder pumped, maintenance and operat-  
ing expense is estimated as \$97,826.

The testimony shows that the Otay Wells can be relied upon  
to furnish only a very small portion of the total supply during the  
year 1922, and that the water pumped is of poor quality.

The report of the Commission's engineer shows annual charges,  
based upon the purchase of the entire water supply, as follows:

8% return upon the investment plus  
an allowance for working capital,  
amounting to approximately, \$648,000....\$51,840

Depreciation annuity,..... 8,500

Maintenance and operating expense,....105,736

Total,.....\$166,076

It is estimated that 380,500,000 gallons of water will be delivered to consumers in 1922. If it is assumed that fire hydrant and miscellaneous revenues for 1922 remain unchanged at \$6,845, there remains \$159,231 of annual charges to be secured from direct sales of water to consumers, or an average of 41.8 cents per 1,000 gallons.

Revenues for the year ending September 30, 1921, amounted to \$70,720, and revenues for the year 1922 at the present rates are estimated at \$75,200, or \$90,876 less than the annual charges set out above. It is therefore evident that the utility is entitled to an increase in rates.

Studies of the results of operation of this utility, as shown in the report of the Commission's engineer, indicate that the rate of return earned upon the investment has varied from 1.76 to 2.74 per cent per annum from January 1, 1917, to September 30, 1921.

After the testimony of all parties hereto had been presented applicant stated that an average cost of water of 41.8 cents per 1,000 gallons would place too great a burden upon the consumer and would retard development of the City of Coronado, and that the utility would therefore be content with an average rate of 35 cents per 1,000 gallons, which would yield a return of 4 per cent upon its investment. It is obvious that such an attitude indicates a sincere desire to cooperate with the consumers, and is highly commendable.

A study of the tabulations of water use and revenue presented in evidence indicates that too great a differential exists in the present rates between the cost per 1,000 gallons of water delivered to consumers of small quantities and the cost to users of large amounts.

These inequalities will be removed in the schedule of rates established in the accompanying order.

Mention has heretofore been made of some three consumers who purchase water in wholesale quantities and distribute it through their own pipe systems to the individual consumers. These consumers are all located upon the upper end of the utility's main transmission line and the water so supplied is not passed through the company's distribution system. This service is not therefore so costly as the service to other consumers. This fact will receive due consideration in the rate computations. However, it is suggested that Coronado Water Company enter into negotiations with the owners of these other distribution systems with a view to the acquisition of the plants, in order that the entire territory may be supplied by the one system and the middleman be eliminated.

Conditions of water supply on this system are so uncertain that the establishment of any schedule of rates can be regarded only as a temporary expedient and for this reason the Commission will keep in close touch with the situation and, whenever justified, will make such further order as is proper in the premises.

In the circumstances the request of applicant for an emergency rate of six cents per thousand gallons pending a final determination of this matter will be denied.

#### O R D E R

Coronado Water Company having made application as entitled above, a public hearing having been held thereon, and the matter having been submitted,

IT IS HEREBY FOUND AS A FACT that the rates now charged by

Coronado Water Company for water delivered 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 to be charged for such service.

And basing the order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Coronado Water Company be and it is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order and thereafter charge, effective for all water delivered subsequent to January 31, 1922, the following rates for water supplied to consumers:

MONTHLY MINIMUM CHARGES

For 5/8-inch meter.....	\$ 1.50
For 3/4-inch meter.....	1.75
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 6 -inch meter.....	20.00

MONTHLY METER RATES

From 0 to 250,000 gallons, per 1,000 gallons.....	\$ 0.37
Over 250,000 gallons, per 1,000 gallons.....	0.33
For water delivered on the main transmission line between Coronado "Y" and Coronado Heights, per 1,000 gallons.....	0.27
All other rates to remain as at present in effect.	

IT IS HEREBY FURTHER ORDERED that Coronado Water Company file with this Commission within thirty (30) days of the date of this order rules and regulations to govern relations with its consumers, such rules and regulations to become effective immediately upon their acceptance by this Commission.

IT IS HEREBY FURTHER ORDERED that Coronado Water Company be and it is hereby directed to file with this Commission on or before the last day of each month a complete statement of revenues.

operating expenses and water deliveries for the preceding month.

Dated at San Francisco, California, this 29<sup>th</sup>

day of December, 1921.

H. B. Brundage

H. D. Ireland

Charles H. Rouse

J. J. Pennington  
Commissioner.