

Decision No. 26144 .

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Mateo Smith, et al.,

Complainants,

vs.

California Water Service Company,
a Corporation,
Bakersfield, California,

Defendant.

Case No. 3453.

The City of Bakersfield, a Municipal
Corporation,

Petitioner,

vs.

California Water Service Company,
a Corporation,

Defendant.

ORIGINAL

Case No. 3485

Jay A. Hinman, for water consumers.
Walter Osborn, City Attorney, for the
City of Bakersfield.
E. C. Elliott, for the Defendant.

CARR, COMMISSIONER:

O P I N I O N

These two cases, involving the water rates of California Water Service Company, a corporation, in its Bakersfield territory, were consolidated for hearing and a public hearing was had on June 30, 1933, and the cases were submitted for decision.

California Water Service Company is a large water utility with twenty-one separate water plants scattered about

the State from Redding, in Shasta County, to Belvedere, in Los Angeles County. Its over-all earning position, as indicated by its annual report for the year 1932, does not seem to be on an unreasonable basis.⁽¹⁾ However, some of its separate plants are more profitable than others. Amongst the more profitable is the one at Bakersfield, the rates on which are drawn into the question by the instant complaints.

At the hearing evidence was adduced by the Commission's staff on the historical cost of the structural property in the Bakersfield area, the effect on such historical cost of current price levels during the history of the construction of the property, present value of land, the gross revenue under present rates, the reported operating expenses, as well as the operating expenses deemed reasonable after eliminating certain non-recurring items and certain items deemed unreasonable. Evidence was also presented by certain of the consumers as to a replacement cost of isolated portions of the property. The company pointed out that recently imposed Federal taxes would somewhat increase its tax payments to the Federal government. Of course a reduction in gross revenue reduces the base upon which Federal taxes are computed and hence does not affect the net revenue available for return to the same extent. City representatives, representatives of the consumers and the utility were in complete agreement that any reduction in rates should take the form of a discount on bills computed under present rates but that no bill as discounted should be less than \$1.00.

(1) The reported net earnings available for return on its entire California properties indicate a realized return in 1932 of approximately six (6) per cent on its tangible fixed capital.

The most difficult question involved in these cases is the weight which should be given to the over-all earning position of the company and the earning position of its Bakersfield property. Each is entitled to consideration. In view of the fact that this utility, without marked opposition, has accepted one adjustment and reduction in its Bakersfield rates in recent years (Clark vs. California Water Service Company, 33 C.R.C. 130), has to a considerable extent reconstructed the systems of two old water companies which it acquired and consolidated, and has greatly improved its service, seven (7) per cent earning on its Bakersfield operations would seem to be just and fair when considered in connection with the rather low over-all earning position of the utility.

A discount of twelve (12) per cent on all bills computed on present rates, with the proviso that no bill shall be less than one (1) dollar, should place the Bakersfield property in the immediate future upon approximately a seven (7) per cent return basis. If business revives and its gross earnings pick up, it may be that a further adjustment will become necessary.

I recommend the following form of Order:

ORDER

A public hearing having been had in the matter and the above entitled cases submitted for decision,

IT IS HEREBY FOUND AS A FACT that the present rates charged by California Water Service Company in its Bakersfield district are unjust and unreasonable in so far as they differ from the modified rates herein established, (hereby found to be just and reasonable) and

IT IS HEREBY ORDERED that California Water Service

Company, a corporation, on all bills rendered consumers for water service in its Bakersfield district on and after August 1, 1933, shall discount the amount thereof by twelve (12) per cent but no bill as so discounted shall be less than one (1) dollar, and that such discount shall be endorsed on each bill with a notation substantially as follows: "Charges discounted as per order of Railroad Commission."

The effective date of this Order shall be July 31, 1933.

The foregoing Opinion and Order is 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 10th day of July, 1933.

O. Weaver
Leon Aubrey
M. J. Carr
M. B. Harris
W. H. ...
Commissioners.