

Decision No. 27522

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
RIVERSIDE WATER WORKS, a Co-partnership,
for an order authorizing an increase on
the flat rate per month per head on
cattle and other stock, also an increase
on the monthly meter charge per thousand
gallons of water delivered, over the rate
established by this Commission in 1928
for this applicant and its water patrons.

ORIGINAL

Application No. 19374.

J.A. Shaw, in propria persona and
for the Estate of A. Putnam.

R.H. Flowers, for Valley Flower Creamery.

BY THE COMMISSION:

O P I N I O N

In this proceeding J.A. Shaw and the Estate of A. Putnam operating as a co-partnership under the fictitious firm name and style of Riverside Water Works apply for an increase of flat rates for stock-watering purposes and an increase of the minimum meter rate for service to their patrons in and in the vicinity of the unincorporated Town of Port Kenyon, Humboldt County, California.

A public hearing in this matter was held before Examiner Geary at Ferndale.

This utility supplies water to some sixty consumers whose premises are widely scattered in a dairying community about two miles west of the Town of Ferndale. Included among the consumers are two large industries, one a creamery and the other a condensing

plant producing dried milk and by-products. With the exception of these two industrial plants, water is sold to consumers for domestic and stock-watering purposes only. There are twenty-eight metered services.

The water is obtained from a group of springs and impounded in a 20,000-gallon concrete catchment basin. A new transmission main was installed in 1932 and consists of 7,000 feet of 4-inch welded steel pipe. The distribution system is made up of about 5,400 feet of pipe lines varying from three to one inch in diameter. All service furnished is by gravity.

The present rates were established by this Commission in its Decision No. 19679, issued April 26, 1928, and are as follows:

FLAT RATES

\$1.25 per month for family use.
.05 per month per head for stock.

METER RATES

50¢	per 1,000 gallons for the first	1,000	per month
35¢	per 1,000 gallons for the next	9,000	per month
25¢	per 1,000 gallons for the next	10,000	per month
17½¢	per 1,000 gallons for the next	20,000	per month
10¢	per 1,000 gallons for all additional		

No meter rates to be less than \$1.00 per month

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The utility claims that the rate of five cents (5¢) per month per head for stock water (all used for cattle) is unreasonably low and that the meter minimum of one dollar (\$1.00) per month is not only inadequate but discriminatory when compared with the actual use under the flat rate charge of one dollar and twenty-five cents (\$1.25). Mr. Shaw states that on account of

the former poor service and the resulting complaints made to the Railroad Commission he has spent recently eight thousand dollars (\$8,000) in cleaning and fencing the springs, constructing a new reservoir, and in replacing the former inadequate 2-inch transmission main with a new 4-inch line. For this reason also, Mr. Shaw states that he should have increased revenues.

The question of service is not involved in this proceeding as all consumers who testified stated that since the reconstruction of the system they had no complaints to make.

INVENTORY AND APPRAISAL.

J.A. Shaw for Applicant:

Book Cost as of January 1, 1934-----\$15,000

C.F. Mau for Railroad Commission:

Estimated Historical Cost as of April 1, 1928,
Decision No. 19679-----\$ 9,432

Additions and Betterments April 1, 1928,
to January 1, 1934-----\$7,984

Retirements April 1, 1928, to
January 1, 1934----- 3,896

Net Additions and Betterments----- 4,088

Fixed Capital as of January 1, 1934-----\$13,520

Depreciation Annuity (5% Sinking Fund)-----\$ 280

The record shows that Mr. Shaw failed to make deductions for the retirement of replaced structures and equipment and that the sum of \$13,520 fairly represents the estimated historical cost of the properties devoted to the public use. This figure therefore will be accepted for the purposes of this proceeding.

The evidence indicates that the salt marsh soil in the service area of this utility is abnormally destructive to buried

pipe. It is clear that the allowance for depreciation estimated by the Commission's engineer should be increased from \$280 to \$330 per annum.

MAINTENANCE AND OPERATING EXPENSES.

Based upon its annual reports filed with the Railroad Commission, the utility presented the following:

	<u>1932</u>	<u>1933</u>
Operating Revenues-----	\$1,754	\$1,779
Operating Expenses including Depreciation-----	<u>2,064</u>	<u>1,933</u>
Deficit-----	\$ 310	\$ 154

Mr. Mau for the Commission presented the following:

	<u>1932</u>	<u>1933</u>
Operating Revenues-----	\$1,754	\$1,779
Estimated reasonable future Operating Expenses-----	\$570	

The analysis of the operating expenses set out in the utility's annual reports as presented by the Commission's engineer as well as the testimony of Mr. Shaw indicates that the wide discrepancy is the result of the company improperly charging a very large amount of its capital reconstruction costs against operating expenses and also the fact that depreciation based upon a flat percentage of fixed capital was unreasonably and unfairly high. The estimate of expenses presented by Mr. Mau appears to be fair and ample to conduct the affairs of this company.

Using the figures found to be reasonable above, i.e., maintenance and operating expenses at \$900, including \$330 for depreciation, the results of operation for 1933 show a net return of 6.5 per cent on a rate base of \$13,520, indicating a fair return on the investment and that the utility is not entitled to

any increase in revenues.

The record does show, however, that the present schedule is discriminatory in certain instances and should be readjusted to better cover the present changed conditions of service. The stock water rate obviously is too low. This water is seldom used by the regular consumer but almost entirely by travelling stock men resting their herds temporarily for a few months while in transit. As the owner of this water works intends to completely meter the system in the near future, no change in the present rate schedule will be made other than in the change for stock water. The meter schedule set forth in the Order is designed to produce as nearly as possible the same annual revenues as the present effective tariffs.

O R D E R

Application having been made to this Commission as entitled above, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that J.A. Shaw and the Estate of A. Putnam as owners of a public utility water system operated under the fictitious firm name and style of Riverside Water Works serving the community in and about the Town of Port Kenyon, Humboldt County, California, be and they are hereby authorized and directed to file with the Railroad Commission, within thirty (30) days from the date of this Order, the following schedule of rates for water delivered to their consumers, said schedule to become effective for all service rendered subsequent to the

30th day of November, 1934:

METER RATES

Minimum Monthly Charges:

For 5/8-inch meter-----	\$1.25
For 3/4-inch meter-----	2.25
For 1 -inch meter-----	3.65

Each of the foregoing "Minimum Monthly Charges" will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following "Monthly Quantity Rates."

Monthly Quantity Rates:

Next	3,000 gallons, or less-----	\$1.25
Next	7,000 gallons, per 1,000 gallons-----	.35
Next	10,000 gallons, per 1,000 gallons-----	.25
Next	20,000 gallons, per 1,000 gallons-----	.17½
All over	40,000 gallons, per 1,000 gallons-----	.10

FLAT RATES

Per consumer, per month-----	\$1.25
Per head of stock watered by permanent consumer, per month-----	.05

Note: The two foregoing rates to remain in effect only until all services are metered.

Per head of stock watered by transient consumer for four months or less, per month-----	.10
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For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 19th day of November, 1934.

Leon A. ...
W. H. ...
W. B. ...
...
STANLEY ...
Commissioners.