

Decision No. 22194

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
LONE PINE WATER COMPANY for an order
establishing and/or fixing the rates
to be charged by it for the service
rendered to its consumers.

ORIGINAL

Application No. 22194

Manley C. Davidson and C. L. Clearmen,
for Applicant.

P. W. Smith, for Applicant.

CRAEMER, COMMISSIONER.

O P I N I O N

In the above entitled application, Lone Pine Water Company, a corporation, supplying domestic and irrigation water to the residents of the Town of Lone Pine and vicinity in the County of Inyo, requests the Railroad Commission to fix and establish a new schedule of rates for water service to its consumers.

Public hearings in this matter were held at Lone Pine by Commissioner Craemer and Examiner MacKall.

Lone Pine Water Company was incorporated in 1881 for the purpose of supplying water to the inhabitants of Lone Pine and vicinity. During this same year the Company appropriated 50 miner's inches*

Note:* "One inch of water" as used in the "Lucien Shaw Decree" shall be taken to mean and to be one one-hundred-and-sixtieth part of the amount of water that will flow through a box on a level over a feather edged board twenty inches wide, with the water flowing eight inches deep over the edge of said board, and measured from still water level sixteen inches deep in the box and having a clear and free fall below the board and the sides of said box to be set six inches from said feather edge on each side.

of water from Lone Pine Creek, one of the major streams in the Lone Pine district having its source on the steep slopes of Mount Whitney on the easterly side of the high Sierras. A court decree, locally known as the "Lucien Shaw Decree," in 1902 adjudicated the rights to all waters of this creek. Applicant, among a large number of claimants to those waters as owners of riparian lands and rights to divert by appropriation, obtained 30 miner's inches of water. The Company's right was one of five, each of which was granted equality in priority in the privilege of the first diversion from the creek. After certain other water rights were satisfied this Company again came in to a secondary entitlement, but this latter right has been but infrequently used, for when needed most it was insufficient for practical distribution requirements. By the same decree 53 miner's inches of water were allocated to the land owners throughout the townsite of Lone Pine and certain adjoining properties for agricultural purposes.

The present rates of the Lone Pine Water Company were established by the Board of Supervisors of Inyo County; the date of filing thereof with the Commission was August 15, 1912. This schedule is as follows:

For domestic purposes for families.....	\$2.00 per month
For two families occupying one house, each....	1.50 per month
For irrigating lots, each lot.....	1.00 per month
Hotels, under 10 rooms.....	3.00 per month
Hotels, over 10 rooms.....	5.00 per month
Livery stables.....	2.00 per month
Corral.....	1.50 per month
Stores.....	2.00 per month
Saloon.....	2.00 per month
Lone Pine Union High School grounds and all buildings.....	12.00 per month

The testimony indicates that the present schedule of rates was established a great many years prior to the filing thereof with the Railroad Commission and that the subsequent growth of the commun-

ity, with its accompanying vast and varied changes in conditions, character of demand, and class of service, has resulted in a considerable number of the charges being now unfairly discriminatory or not properly covering the present uses of water. It appears, therefore, desirable and proper that the existing rates for water service should be revised and adjusted to avoid as far as possible unfairness in the cost of water among the various classes of users.

Heretofore, a report had been prepared by Mr. Harnish, an engineer retained by the Water Company, setting forth the capital invested and certain studies involving revenues and expenses. Unfortunately Mr. Harnish was unable to appear at any of the hearings, with the result that his report was not entered in evidence. However, a report prepared by Mr. F. E. Van Hoesen, one of the Commission's engineers, was submitted and accepted by Applicant for the purpose of this proceeding except as to water rights, the salary of the president of the Company, and the legal expenses. This report sets forth an appraisalment of the system properties as of November 1, 1938, of \$30,993, based upon the estimated original cost of the physical properties with lands, rights of way and easements at present fair market value, franchises and water rights at cost of acquisition including expenses of certain litigation connected therewith. The intangible values of franchises and water rights included in the above evaluation amount to \$6,000. The depreciation annuity is \$496.14 calculated by the sinking fund method at 5%.

The analysis of the books and records as set forth in this report after deducting certain charges considered improperly allocated between capital and operating expense indicates that the utility books should have reflected a gross operating cost for the year 1937 of \$8,272 and \$4,107 for the year 1938. While depreciation was in-

cluded for the year of 1938, none was charged on the Company's books during 1937. The operating revenues for the year 1938 amounted to \$6,110. Mr. Van Koesen's estimate of the reasonable and proper operating expenses including depreciation for the immediate future is \$3,941. The vast difference in the cost of operation between the years 1937 and 1938 was directly attributable to repairs of the transmission and distribution mains, amounting to the sum of \$6,008. These extraordinary expenses were caused by the unprecedented freeze in January 1937, necessitating thawing and replacement of most of the larger mains in the central section of Lone Pine.

In the establishment of a new rate structure for these properties due consideration must be given to the necessity of expending approximately \$10,000 for the purchase of lands for a reservoir, the construction thereof, the acquisition of the necessary rights of way and the installation of connecting pipe lines to tie this new storage facility into the system. Under the present methods of operation the Company has no way of by-passing the muddy water from its diversion works during heavy rainfall and excessive stream runoff. This problem was under investigation and consideration by the Commission in Case No. 4200, resulting in Decision No. 30322, dated November 8, 1937, reading in part as follows:

"It is hereby ordered that within thirty (30) days from and after the date of this order, Lone Pine Water Company, a corporation, be and it is hereby directed to file with the Commission, plans and specifications for the improvement of its water system to eliminate muddy and discolored water, either by means of storage and settling facilities, by the installation of a well and pumping equipment or by any other practical and acceptable methods, and that upon the approval of such plans by the Railroad Commission, Lone Pine Water Company shall proceed immediately with the construction thereof, said improvements to be completed and in proper working order not later than the 31st day of August, 1938."

Mr. P. W. Smith, President of the Lone Pine Water Company, testified that he has been unable to sell stock in the Company to

raise funds necessary to comply with the above Commission Order to provide facilities for elimination of muddy and discolored water. He claimed that this situation has arisen as a direct result of the acquisition of approximately 80% of all of the land in and in the vicinity of the Town of Lone Pine by the City of Los Angeles for the purpose of protecting and operating its Owens River Valley Aqueduct project, and the further activities of the said City in notifying the general public in the Lone Pine District that it intended to purchase the Lone Pine Water Company and operate said plant in a manner similar to the water works serving the Town of Big Pine which it now owns. Mr. Smith testified that the City's engineers already have made an inventory and appraisal of the properties of the Lone Pine Water Company, with his consent, for the purposes of its intended purchase. Under these conditions Mr. Smith stated that now it appeared practically impossible to finance any considerable expenditures for improvements such as ordered by the Railroad Commission without a greater and more reasonable earning power. Compliance with the original order referred to above has been delayed from time to time to permit the consummation of such negotiations. The Commission, however, has recently been advised by various interested parties to this proposed transfer that nothing of a definite nature has been accomplished nor appears reasonably probable of consummation in the near future. In all fairness to the many interests involved herein this matter therefore should be determined without further delay upon the record herein.

The evidence indicates that in his estimate of proper future operating expenses the Commission's engineer in certain items did not allow as much as might be reasonably necessary to cover the cost of rendering adequate and satisfactory service. For instance the extraordinary expense of approximately \$6,000 created by the severe freeze occurring in January 1937 which caused the breaking and bursting of such a large number of mains and fittings throughout the entire sys-

tem was a most serious blow to this small utility. While this sum should be amortized over a reasonable period of years as not subject to recurring annually, nevertheless it appears warranted that a greater allowance should be provided for the repairs to distribution and transmission mains than was allocated thereto in said estimate.

The evidence shows that the president of this Company does not reside in Lone Pine but is a resident of San Clemente, in Orange County. The resident manager is a capable water works operator with many years' experience, especially on this particular system. The population of Lone Pine is somewhat less than 1,500. While the president is entitled to some fair compensation for his general responsibility and efforts expended in behalf of the best interests of the utility, in this case the amount thereof is more or less nominal. The legal expenses, Railroad Commission expenses and extraordinary operating expenditures indicate that some increase must be allowed over and above normal costs. A careful consideration of this phase of the problem indicates that the sum of \$4,600 per annum should cover fairly these demands, together with the additional expenditures which will be required for maintenance and depreciation allowance upon the reservoir, for reading meters and repairs thereof, and for the new burden of accounting and billing for measured service. With the revenues amounting to \$6,110, the net return will be approximately 3.8% on an estimated investment of \$40,000, which includes the completed reservoir. It is evident that this utility is entitled to some relief, especially if it is to be required to finance any new construction demanding a comparatively substantial amount of funds for a water works of the caliber of the Lone Pine Water Company.

The Lone Pine Water Company in its 1938 annual report shows a charge to fixed capital accounts of \$66,671. This figure includes an estimated present value of \$42,000 for water rights and an allow-

ance of \$3,354.91 for organization. No evidence was offered in support of such charges. The books of the Company should, as nearly as possible, show the cost of its properties. We believe that the report of F. H. Van Hoesen, filed in this proceeding as Exhibit 3, more nearly reflects the cost of the Company's properties than does the amount reported as charged to fixed capital accounts in its 1938 annual report. We therefore feel that the books of the Company should be adjusted and its capital accounts re-stated on the basis shown in Exhibit 3.

The yield of the new rate schedule established in the following Order should produce a fair net return to applicant, permit necessary and proper financing, and at the same time place no unreasonable burden upon any of the utility's water users.

The following form of Order is recommended.

O R D E R

Application having been filed with the Railroad Commission as entitled above, public hearings having been held thereon, the matter having been submitted, and the Commission being now fully advised in the premises,

It is hereby found as a fact that the rates now charged by Lone Pine Water Company, a corporation, for water delivered to its consumers in and in the vicinity of Lone Pine, Inyo County, are unjust and unreasonable insofar as they differ from the rates herein established and that the rates herein established are just and reasonable rates to be charged for the service rendered, and

Basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Lone Pine Water Company, a corporation, be and it is 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 to be charged for all water delivered to its consumers on and after the 14 day of January 1940:

FLAT RATES

<u>Classification</u>	<u>Per Month</u>
1. Residence on lot not exceeding 50' x 150', each.....	\$2.00
2. For each additional residence on same premises.....	1.00
3. Housekeeping apartments, each apartment.....	1.50
4. Duplex houses, each residence unit.....	1.50
5. Additional for baths and toilets in excess of one of each per unit in classifications 1 to 4, inclusive, each.....	.25
6. For irrigation of lots not occupied by buildings or other structures not in excess of 50' x 150' when actually irrigated.....	1.00
7. For irrigating lawn, shrubbery, etc. in connection with residences, stores, buildings, etc. to 5,000 square yards, per square yard irrigated.....	.003
All over 5,000 sq. yds. per square yard irrigated.....	.002
8. Restaurants, cafes and coffee shops, according to size and use of water.....	3.00 to 6.00
9. Soda fountains and bars, in connection with any other business.....	1.00
10. Barber or beauty shops, two chairs or booths.....	2.00
For each additional chair or booth.....	.25
11. Dentists' offices, each.....	2.50
12. Doctors' offices, each.....	1.50
13. Bakeries and Confectionery.....	2.50
14. Billiard and pool halls.....	2.00
15. Laundries, according to use of water.....	5.00 to 10.00
16. Lumber yards, each.....	2.50
17. Automobile service stations and garages, each.....	2.50
Additional for each wash rack.....	1.00
18. Retail markets, shops, drug stores, motion picture houses and other business establishments not otherwise listed, according to use of water.....	1.50 to 3.00
19. Desert Coolers, window-box type noncirculating, each.....	.75
20. Fire hydrants on 3-inch mains or larger.....	1.50
Fire hydrants on mains less than 3-inches in diameter...	2.00

All other types of service not otherwise provided for such as auto camps and courts, ice plants, schools, large hotels, hospitals, etc..... At the regular meter rates.

METER RATES

Monthly Minimum Charges

5/8 x 3/4 inch meter	\$2.00
3/4 " "	2.50
1 " "	3.50
1 1/2 " "	5.50
2 " "	8.00
3 " "	14.00

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

Monthly Quantity Rates:

First	600 cubic feet or less.....	\$2.00
Next	1,000 cubic feet, per 100 cubic feet....	.25
Next	1,400 " " " " " " " "22 1/2
All over	3,000 " " " " " " " "20

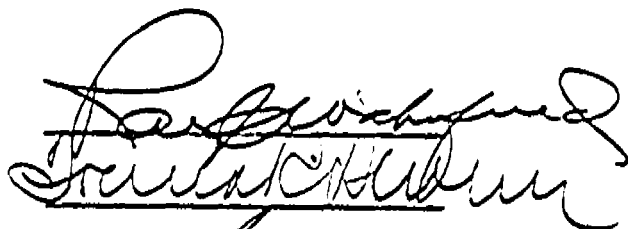
IT IS HEREBY FURTHER ORDERED that within sixty (60) days from and after the date of this Order, Lone Pine Water Company, a corporation, be and it is hereby directed to file with this Commission plans and specifications for the improvement of its water system to eliminate muddy and discolored water, either by means of storage and settling facilities, or by any such other practicable method acceptable to this Commission, such facilities to be of sufficient and adequate size to provide its consumers with a clear water supply during periods of inclement weather and heavy runoff of average duration, and that upon approval of such plans and specifications by this Commission, Lone Pine Water Company shall proceed immediately and without unreasonable or unnecessary delay with the construction thereof, said improvements to be completed and in proper working order in a manner satisfactory to this Commission within six (6) months from and after the date of this Order.

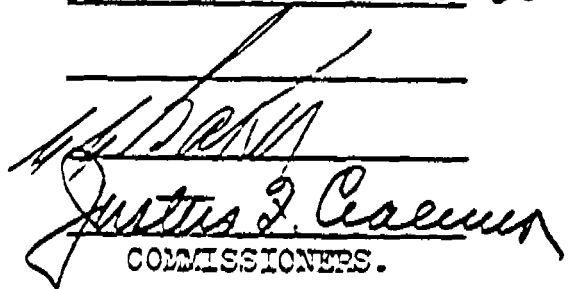
IT IS HEREBY FURTHER ORDERED that this Commission reserves the right to reduce, amend, or modify the rate schedule established in this Order in the event said Lone Pine Water Company fails to comply in a manner satisfactory to the Commission with installation of the above ordered facilities properly to control high turbidity in the source of water supply.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

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 December, 1939.





Justice J. Casner
COMMISSIONERS.