

Decision No. 33168

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CATHEDRAL CITY WATER COMPANY for an
increase in rates for water service
supplied in its Cathedral City,
California, service area.

ORIGINAL

Application No. 23009.

Phillip A. Hershey, for Applicant.

I. Jacobsen, for Cathedral City Water
Consumers, The Cathedral City
Women's Club and Cathedral City
Chamber of Commerce, Protestants.

COMMISSIONER CRAEMER:

O P I N I O N

Cathedral City Water Company, a corporation⁽¹⁾, engaged in the business of supplying water for domestic and other purposes in Cathedral City, Riverside County, California, asks for authority to increase its rates for water service.

The Commission is asked to establish the following rates:

Annual minimum charge of \$21.00 per service connection,
due and payable monthly, and entitling consumer to
four hundred cubic feet of water each month.....\$1.75

Next 600 cubic feet, per 100 cubic feet.....	.40
Next 1,000 cubic feet, per 100 cubic feet.....	.30
Next 1,000 cubic feet, per 100 cubic feet.....	.25
Over 3,000 cubic feet, per 100 cubic feet.....	.20

Public hearings in this proceeding were held at Cathedral City by Commissioner Craemer and Examiner Cameron.

The record shows that Cathedral City was subdivided and placed on the market by the Cathedral City Development Company, a corporation⁽²⁾, engaged, among other things, in the business of

(1) Hereafter referred to as Water Company.

(2) Hereafter referred to as Development Company.

buying and selling real estate in and in the vicinity of Cathedral City. In order to furnish water to the residents of the townsite, the Water Company was incorporated on April 26, 1926, by the stockholders of the Development Company and a water system installed throughout the town. A certificate of public convenience and necessity was granted and the rates at present in effect were established by the Commission in its Decision No. 17,290, dated August 27, 1926. These rates are as follows:

Monthly Minimum Charges

5/8 x 3/4 inch meter.....\$1.25

Monthly Quantity Rates

First	400 cubic feet, or less.....	\$1.25
Next	600 cubic feet, per 100 cubic feet.....	.25
Next	4,000 cubic feet, per 100 cubic feet.....	.20
Over	5,000 cubic feet, per 100 cubic feet.....	.15

Water is produced by pumping from a 14 inch well, 363 feet deep, and conveyed to a 32,500 gallon storage tank through 5,128 lineal feet of 6 inch transmission main. The water is distributed through 13,295 feet of mains ranging from 1 to 4 inches in diameter. There are 148 service connections, all of which are metered.

Mr. Phillip A. Hershey, a certified public accountant of San Francisco, testified for applicant that, as shown by the books and accounts, the fixed capital of the water system as of December 31, 1939, was \$16,811; that the annual revenue for the year 1939 was \$3,335 and the operating expenses for the same period were \$4,037, which sum included an allowance for depreciation of \$1,438. The results of operation for this period, based on the foregoing figures, shows a loss of \$702. A report covering an investigation of the system, its books and accounts was submitted by E. L. Clark, one of the Commission's hydraulic engineers, setting forth the estimated original cost of the operative physical properties to be \$18,953; the corrected 1939 revenue, maintenance and operating expenses to be \$3,498 and \$2,417, respectively. This latter sum includes \$307 as an allowance

for depreciation computed by the sinking fund method at 5%. The results of operation for 1939 produce a return of 5.7% on the above estimated fixed capital. The future annual revenues were estimated to be \$3,650 and the reasonable and proper operating expenses for the immediate future were recommended as \$2,522, resulting in a net return of 5.95%. This report showed that the application of the rate proposed by the Water Company would produce an annual revenue of \$4,853 and a net earning of 12.3%.

While objections were made in behalf of the Company that the appraisalment by the Commission's engineer for lands used for well and tank-site purposes was unreasonably low and that the allowance for depreciation was inadequate, the record shows that the five-acre tract claimed by the utility was not its own property nor used by it for water production or storage purposes. The allowance for depreciation follows the standard practice of this Commission in matters involving the establishment of rates.

The organization known as Cathedral City Water Consumers, The Cathedral City Women's Club and the Cathedral City Chamber of Commerce submitted a joint resolution objecting to any increase in rates on the grounds that the Water Company's records are incomplete and do not contain sufficient reliable information to substantiate an increased rate, and that the water system is very considerably over-built for the area served. Witnesses for the various consumer organizations claimed that improper design and construction of various water facilities, together with negligence and mismanagement, have resulted in high construction costs and excessive maintenance and operative expenditures. This testimony, however, was not fully substantiated. A careful consideration of the evidence submitted in this proceeding leads to the conclusion that under present circumstances the Water Company is making a fair net return upon such of its used and useful properties as may at this time be considered

properly and necessarily devoted to the service of the public.

The following form of Order is recommended:

O R D E R

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

IT IS HEREBY ORDERED that this application as above entitled be and it is hereby denied.

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 4th day of June, 1940.

Ray C. Riley
James D. Brown
Ralph W. Baker, Jr.
H. H. Hall
Justus J. Casner
COMMISSIONERS.