

Decision No. 33419

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation on the Commission's own motion into the charges, classifications, contracts, operations, practices, rates, rules, regulations, and services, or any of them, of PORTOLA WATER COMPANY, a corporation, in the distribution and sale of water for domestic and other purposes from its system in and in the vicinity of Portola, Plumas County, California.

ORIGINAL

Case No. 4424

Edward I. Lane, for Portola Water Company.  
George P. Nicolos, for Portola Fire District.

BY THE COMMISSION:

O P I N I O N

This is a proceeding in which the Railroad Commission, on its own motion, ordered an investigation to be made of all phases of the operations and practices of the Portola Water Company (1), a corporation, engaged in the public utility business of furnishing water for domestic and other purposes in and in the vicinity of the unincorporated town of Portola in Plumas County.

A public hearing in this matter was held before Examiner M. R. MacKall at Portola.

This utility has appeared before the Commission previously in connection with ten formal proceedings, including several cases wherein the consumers complained against excessive and discriminatory rates, inadequate service particularly for fire protection, and certain alleged illegal practices. In addition to these formal

(1) Note: Hereinafter referred to as the Company.

matters the Commission has received numerous informal complaints from various consumers. Some involved the limited quantity of water available and inadequate pressure; others related to the size of meters installed on services, and many protested against the purported discriminatory practice of metering certain consumers, while others under similar circumstances were served with water at flat rates.

Following is the schedule of rates which has been in effect since 1928 for water service rendered by the Company in Portola and North Portola:

MONTHLY FLAT RATES

1. Residences:	
4 rooms or less .....	\$1.00
Each additional room.....	.10
Kitchen sink.....	.25
Each toilet.....	.25
Each bathtub.....	.25
2. Hotels, Lodging Houses, Boarding Houses, Etc.:	
Minimum charge, each.....	\$2.00
Bedrooms for rental, each.....	.20
Public dining rooms, each.....	1.50
3. Restaurants, Lunch Stands, Etc.:	
Minimum charge.....	\$1.75
Per unit table or counter seating capacity.....	.15
4. Barber Shops:	
Each chair in use.....	\$1.00
5. Commercial Use:	
Stores and banks.....	\$1.50
Lodge rooms and halls, pool and billiard rooms, physicians' and dentists' offices, each.....	1.00
Real Estate and other offices.....	.75
Soda water fountains with other businesses.....	1.00
Bakeries.....	2.00
Butcher Shops.....	1.75
6. Auxiliary Uses - Additional Rates:	
Lawn, garden or shrubbery watered or street sprinkled, per 100 square feet.....	\$0.02
Horses (average number cared for in month) each.....	.25
Public bathtub, each.....	.75
Public toilet, each.....	.75
7. Western Pacific Railway:	
Hospital.....	\$7.50
Station and grounds.....	25.00
8. Public Use:	
Fire Hydrants, each.....	\$1.00
9. All Other Uses at Meter Rates:	

METER RATES

Minimum Monthly Charges:

5/8 inch meter.....	\$1.75
3/4 inch meter.....	2.00
1 inch meter.....	2.50
1-1/2 inch meter.....	3.25
2 inch meter.....	5.00
3 inch meter.....	10.00
4 inch meter.....	20.00

Monthly Quantity Charges:

First 300 cubic feet or less.....	\$1.75
From 300 to 2,000 cubic feet, per 100 cubic feet...	.20
From 2,000 to 4,000 cubic feet, per 100 cubic feet...	.15
From 4,000 to 10,000 cubic feet, per 100 cubic feet...	.10
From 10,000 to 25,000 cubic feet, per 100 cubic feet...	.08
Over 25,000 cubic feet, per 100 cubic feet...	.06

The original water supply of this Company was obtained from springs located in the hills two and three miles south of Portola. A considerable portion of water still comes from these sources. Additional water is now pumped from the Feather River well which is a shaft sunk 30 feet deep in the river gravels a short distance below the highway bridge at Portola, water being collected through infiltration galleries. In 1936 a 10-inch cased well was drilled 235 feet deep on a lot on Third Avenue in Portola. Electric motor-operated pumps in both wells deliver water directly into the distribution system, any excess over demand being forced into the storage reservoir. The pump motors are equipped with control devices which may be adjusted by an attendant to suit existing conditions of supply and demand, thus providing semi-automatic operation of the pumps.

The transmission lines from the springs consist of about 6 miles of pipe varying from 4 inches to 2 inches in diameter. Water is stored in an unlined and open earthen reservoir of about 250,000 gallons capacity located on the hillside at the south edge of the townsite, producing a gravity supply with a static pressure of about 60 pounds per square inch in the main part of town.

There is no reservoir-gage visible from anywhere in the town, a condition which demands a special trip to the reservoir to

determine the water on hand. There are 39,233 feet of distribution mains varying from 8-inch cast iron pipe to 3/4-inch screw pipe and 554 services, of which about one half are metered. The Portola Fire District owns and maintains 23 fire hydrants attached to the system.

By reason of the geologic formation in the general vicinity of Portola, water in the large volume demanded for domestic, commercial and other uses cannot be obtained except through the expenditure of almost prohibitive sums of money for treatment of river water or to transport water from distant sources. To conserve the available supply by reducing careless use and unnecessary waste of water, the Commission in its Decision No. 17047 ordered the utility in 1926 to begin a program of meter installations so that the system would be at least 70% metered within a period of one year. Although this program was started, the percentage of service actually metered never exceeded the maximum of about 60% in 1935. Thereafter new consumers have been added without a corresponding number of new meters, with the result that at present the waterworks is but approximately 50% metered. This situation has led to considerable dissatisfaction and many complaints of unjust discrimination by consumers who are required to pay more for metered water than their neighbors receiving flat rate service. It appears that this source of friction should be removed by more complete metering. The Company will be expected to proceed diligently and without unnecessary delay with a metering program providing for a meter on every service where there is any reasonable probability, from the character and nature of the premises served, that the monthly usage exceeds the quantity purchasable for the minimum meter charge.

One of the complaints which prompted the investigation was filed by the Portola Fire District<sup>(2)</sup> and concerns the rate paid

---

Note: (2) Formed about 1924 and hereinafter referred to as the District.

for water delivered to the fire hydrants. This District is duly organized and existing under and by virtue of the laws of the State of California. The rate of \$1.00 per hydrant per month now in effect was fixed in 1928, at which time there were only a few hydrants located on comparatively small mains. An agreement was entered into by and between the District and the Company under date of July 1, 1929, wherein it was provided, among other things, that the District contribute \$7,500 toward the construction of larger mains and additional fire hydrants, in return for which the Company agreed, among other things, to permit the District to use for fire fighting purposes "any and all of its mains and distributing system," and in the event of a fire, to use "all water then on hand in its mains, springs, or stored in its reservoirs." The agreement did not specify any amount other than the principal sum of \$7,500, which was to be paid by certain installments, final payment to be completed on or before June 30, 1934, but it did contain, however, the following paragraph:

"IT IS FURTHER AGREED that after June 30, 1934, that the amount to be paid for a continuance of the privileges granted hereby shall be arranged by mutual agreement, if the parties desire to so continue, or if unable to agree and the parties desire to so continue, then the amount shall be fixed by the Railroad Commission of the State of California."

The evidence is incomplete and rather uncertain as to the full extent of the various arrangements made between the Company and the District. There were, however, several other agreements, either written or verbal, resulting in the donation of further sums by the District for main construction or extensions. The total amount so contributed by the District, other than for water delivered to hydrants, appears to be in excess of \$11,000. In addition thereto the District also has paid the following amounts for fire hydrant rental at the rate of \$1.00 each per month:

For 21 hydrants from June 30, 1934, to Dec.31, 1935, 18 Mos.	\$378.
For 21 hydrants for year 1936, 12 months.....	252.
For 22 hydrants for year 1937, 12 months.....	264.
For 23 hydrants for year 1938, 12 months.....	<u>276.</u>
Total	\$1,170.

In view of the considerable amounts which the District has contributed toward the cost of the Company's mains which are also used for the distribution of water to other consumers, the present fire commissioners feel that the \$1.00 rate is exorbitantly high and even suggested that the District is entitled to water for fire protection purposes at no charge whatsoever. On the other hand, the Company contends that the rate is now too low for the following reasons:

(1) the Company has also advanced large sums of money toward the construction of transmission and distribution mains much larger and costlier than required for purposes other than for fire fighting; (2) the cost of water supplied to fire hydrants is greater than in 1928 when practically all water was obtained by gravity from the springs, whereas now a considerable portion is pumped; (3) the amount of water kept in the reservoir is larger than required for purposes other than fire protection, resulting in greater seepage and evaporation losses and in increased expenses of maintenance and operation of the reservoir; (4) much water is used by the fire department for washing equipment, drills, and street and hydrant flushing.

The evidence clearly shows that the District has contributed considerable and substantial amounts of money to this utility to provide more adequate facilities for fire protection purposes. It is doubtful if the Company alone could have financed these improvements, even with the essential provisions that proper reimbursement be made to it for such additional costs devoted primarily for fire protection purposes. The contract and various agreements entered into by and between the District and the Company were made openly and legally by both parties. Nothing appears in the record which would warrant the Commission at this time in disturbing these past arrangements. It is clear, however, that the charge of \$1.00 per month per hydrant is fair and reasonable in view of past contributions by the District and present operating facilities and

practices of the Company. Certainly no higher rate is justifiable.

Recently the Company has been required to pump water during a considerable portion of the year. The yield of the springs is now insufficient to meet the demand. Water wasted, such as that due to excessive evaporation and the abnormal seepage from the unlined reservoir, must be largely replaced with pumped water at some expense. To eliminate these losses and reduce these unnecessary and avoidable expenses, the storage reservoir should be lined and covered with a permanent roof immediately. An indicating float gauge should be installed at the reservoir to show the amount of water in storage at all times.

The record reveals a general laxity in the utility's operating practices for several years last past, due primarily to lack of proper supervision. The Company has had no central office in which to keep its records where consumers can make applications for service, file complaints, and adjust their bills. The meter books, consumers' bills, maps, vouchers, account books and other files and records have been kept at various locations by the several officers and employees of the Company without any coordination. The bookkeeper for the past few years has resided in the San Francisco Bay area and has been employed on a part-time basis. E. I. Lane, the principal stockholder and nominal operating head of the corporation and usually a non-resident of Portola during the greater part of each year, is engaged among other things in the operation of the Bucks Lake Resort, a great many miles from Portola. The exchange of correspondence and information thus involved has resulted in the loss of many records and in boundless inefficiency and confusion. Mr. Lane testified that a building was then under construction in the main business section of Portola in which a new Company office would soon be opened with regular hours for doing business. This move will prove of considerable benefit if accompanied with the localization of plant management in Portola as it should be and undoubtedly will

result in improving the present strained public relations.

The Company's books show, as of December 31, 1938, an investment in fixed capital of \$75,722.29. The tabulation following shows this sum distributed to the several fixed capital accounts. However, an analysis of the Company's records disclosed the fact that it did not have proper and complete supporting data for its reported investment. Therefore, it became necessary to prepare an appraisal of the Company's properties, which appraisal was made by E. R. Foster and E. S. Melvin, engineers of the Commission's Hydraulic Division. Their report, filed in this proceeding as Exhibit No. 1, shows the estimated original cost of the utility's properties at \$70,017.35, as of July 15, 1939. The following tabulation shows the Company's reported investment in fixed capital and the estimated original cost of the utility's properties as appraised by the Commission engineers, segregated to the several fixed capital accounts:

FIXED CAPITAL

: Account : : No. :	: Classification :	: Company : : Books : : 12-31-38 :	: C.R.C. : : Appraisal : : 7-15-39 :
------------------------	--------------------	--	--

INTANGIBLE CAPITAL

C-1	Organization	-	\$ 200.00
C-2	Franchises and Water Rights	-	4,635.00
	Total Intangible Capital	-	\$ 4,835.00

TANGIBLE CAPITAL

C-5	Land	\$ 4,595.45	\$ 3,891.15
C-6	Buildings	824.69	1,708.33
C-7	Impounding Dams and Reservoirs	2,048.76	1,111.04
C-10	Wells	5,834.12	5,212.10
C-11	Springs and Infiltration Galleries	2,930.99	1,871.65
C-14	Pumping Equipment	3,389.58	2,475.29
C-17	Transmission Mains	15,880.35	12,632.88
C-18	Distribution Mains	27,101.90	25,005.10
C-20	Hydrants	41.44	-
C-21	Services	4,656.33	4,226.29
C-22	Meters	8,087.20	5,673.52
C-23	Miscellaneous Distribution Equipmt.	-	200.00
C-24	General Equipment	331.46	575.00
	Total Tangible Capital	\$75,722.29	\$65,182.35
	TOTAL FIXED CAPITAL	\$75,722.29	\$70,017.35



At the hearing the Company accepted the estimated original cost of the utility's properties as reported in Exhibit No. 1 and in view of the incomplete status of the Company's records, we believe that it should be recorded on the books of the Company. The above appraisal also provides a basis for computing the annual amounts to be charged to the depreciation reserve. On the basis of the ages and probable lives assigned to the various elements of the utility's physical properties exclusive of lands, the report shows the depreciation annuity to be \$790.80, computed by the sinking fund method at five per cent (5%) and the accrued depreciation has been calculated to be \$13,223.41.

Mr. Lane objected to the estimates of future revenues and expenses as set forth in the report of the engineers upon the grounds that the revenues were unreasonably high and that the recommended reduction in the several salaries now paid various and sundry officers of the Company was now unwarranted. However, the Company submitted no evidence supporting its claims for the necessity of carrying such an excessive burden of overhead expenses for so small a utility. The record shows the costs of management for this Company are unreasonably burdensome and that the following estimate should more reasonably reflect the results of operation for the immediate future:

Estimated average annual gross revenues, based on the schedule of rates now in effect.....		\$14,000
Estimated normal yearly expenses of maintenance and operation.....	\$8,500	
Estimated depreciation annuity.....	791	<u>9,291</u>
Estimated average annual net revenues...		\$ 4,709

The operations upon the above basis represent a net rate of return of about 6.7% on the total capital investment of \$70,017. It is evident that the Company's earning position should permit it to finance without difficulty reasonable operating improvements to plant and equipment when necessary.

Based upon all of the evidence submitted it appears that no radical changes in the rate schedule are warranted. It was shown that among the flat rate consumers, there are a large number who live in small cabins, apartments and back-yard cottages where the use of water obviously does not justify the installation of individual meters and where the lowest present residential rate is recognized as being exorbitant. Water users of this class are now being billed at rates varying from 50 cents upward. For this reason it appears desirable to modify and adjust the schedule of flat rates to more appropriately cover present conditions and to eliminate any necessity for deviating from the authorized rates.

O R D E R

The Railroad Commission, on its own motion, having instituted an investigation into the various phases of the operations and practices of the Portola Water Company, a corporation, 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 for the reasons set out and based upon the conclusions and findings set forth in the foregoing Opinion that Portola Water Company, a corporation, be and it is hereby directed as follows:

1. To file with this Commission within sixty (60) days from the date of this Order detailed plans and specifications for lining, roofing and screening the 250,000-gallon storage reservoir and including a suitable visible float gage to indicate the water level in the reservoir, said plans and specifications to be subject to the approval of this Commission and the improvements to be constructed and completed on or before the thirty-first day of December, 1940.
2. To proceed diligently with a plan of installing a meter on each and every service connection where the average monthly usage of water reasonably appears to exceed the quantity allowed for the monthly minimum meter rate, said program to be completed on or before the thirty-first day of December, 1940, and on or before said date the Company shall file with this Commission a certified statement to the effect that

the metering program has been completed as directed and which statement shall set forth the number of each size of meter then installed and the number and flat rate classifications of all service connections remaining unmetered.

3. To record on its books as of July 15, 1939, the historical cost appraisal of its properties set forth in Exhibit No. 1 and the accrued depreciation of \$13,223.14 on such properties, and to add to said historical cost the actual cost of additions and betterments since July 15, 1939, and deduct from said historical cost and said actual cost, the cost of properties retired subsequent to July 15, 1939. Appropriate credits and debits shall also be made to the depreciation reserve. Copies of the journal entries recording said appraisal on the books of Portola Water Company and making said additions, retirements, credits and debits shall be filed with the Commission on or before November 15, 1940.

It is hereby found as a fact that the rates now charged by the Portola Water Company, a corporation, for water supplied to its consumers in and near the unincorporated communities of Portola and North Portola, in the County of Plumas, 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 the services rendered and, basing its Order upon the foregoing findings of fact and upon the statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY FURTHER ORDERED that Portola Water Company, a corporation, be and it is hereby authorized and directed to file in quadruplicate 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 service rendered to its consumers on and after the 1<sup>st</sup> day of September, 1940:

RATE SCHEDULES

FLAT RATES

	<u>Per Month</u>	
1. Residences:		
1- or 2-room cabins, minimum charge.....	\$0.50	
3-room cabins or cottages.....	.75	
4-room dwellings.....	1.00	
For each additional room over 4.....	.10	
Additional for sink with running water.....	.25	
Additional for each flush toilet.....	.25	
Additional for each bathtub or shower.....	.25	
2. Sprinkling or irrigation of lawns, shrubbery, gardens, etc., per 100 square feet.....		.02
3. Barber Shops, for single chair.....		1.00
For each additional chair in use.....	.25	
4. Commercial Use:		
Stores and banks.....	1.50	
Lodge rooms and halls, pool and billiard rooms, physicians' and dentists' offices, each.....	1.00	
Real estate and other offices.....	.75	
5. Public Use:		
Fire hydrants, each.....	1.00	
6. Auto courts and camps and all other uses to be charged at the regular meter rates.		

METER RATES

Minimum Monthly Charges:

5/8 inch meter.....	\$1.75
3/4 inch meter.....	2.00
1 inch meter.....	2.50
1-1/2 inch meter.....	3.25
2 inch meter.....	5.00
3 inch meter.....	10.00
4 inch meter.....	20.00

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:

First	300 cubic feet or less.....	\$1.75
Next	1,200 cubic feet, per 100 cubic feet..	.20
Next	2,000 cubic feet, per 100 cubic feet..	.15
Next	6,000 cubic feet, per 100 cubic feet..	.10
Next	15,000 cubic feet, per 100 cubic feet..	.08
All over	25,000 cubic feet, per 100 cubic feet..	.06

A meter may be installed on any service at the option of either the consumer or the utility.

IT IS HEREBY FURTHER ORDERED that within thirty days from the date of this Order Portola Water Company, a corporation, be and it is hereby directed to submit to this Commission for its approval rules and regulations governing relations with its consumers and which shall contain a suitable map or sketch, drawn to an indicated scale, upon a sheet approximately 8½" x 11" in size, delineating thereupon in distinctive markings the boundaries of the utility's service area and the location thereof with reference to the surrounding territory; provided further, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

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 20<sup>th</sup> day of August, 1940.

Ray L. Riley  
Frank D. Sullivan  
Robert W. ...  
H. B. ...  
Justin J. Caseman  
Commissioners