

Decision No. 34868

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
INTER-COUNTY WATER COMPANY, a corpor-
ation, for an order authorizing
discontinuance of distribution and
sale of water.

Application No. 24055

F. W. Audrain, Attorney for Applicant.

Charles F. Smith, for the Committee of
Consumers, Protestants.

William Wood, Attorney for
Mrs. Lillian M. Bolt, Protestant.

BY THE COMMISSION:

O P I N I O N

Inter-County Water Company, a corporation, engaged in the business of supplying water for domestic and irrigation purposes in Tracts No. 2206 and No. 2138, San Bernardino County, and Rivino Orchards in Riverside County, near Crestmore, asks the Commission for authority to discontinue the distribution and sale of water to its consumers. The application alleges in effect that the revenues produced from the water delivered do not provide operating and maintenance costs.

Public hearings in this proceeding were held before Examiner Wm. Stava at Riverside.

The water system was installed about 1926 and 1927 by Mr. L. E. Chatterson, a real estate operator. It became successively the property of several other owners until, through foreclosure

proceedings, the properties were acquired by the Consolidated Title Securities Company of Los Angeles. This latter company organized Inter-County Water Company for the purposes of taking ownership and operating said water system. The Consolidated Title Securities Company now owns all outstanding shares of common stock, less shares qualifying directors, in said water company.

Water is obtained from a 350-foot well and delivered to a 50,000-gallon concrete tank and then distributed to the consumers through 16,800 feet of steel and concrete mains that vary from 2 to 14 inches in diameter. The area served consists of approximately 85 acres. Water is furnished for domestic, small scale agricultural irrigation, and combination domestic irrigation purposes to 40 consumers whose premises vary in size from one to two acres. The agricultural irrigation service is supplied largely to gardens and family orchards.

W. L. Stumpf, accountant for applicant, presented a statement showing the results of operation since 1935, as set out in applicant's books and annual reports. A summary of the statement follows:

<u>Calendar Year</u>	<u>Operating Revenue</u>	<u>Operating Expense Less Depreciation Annuity</u>	<u>Revenue Less Expenses</u>
1935 (October November December)	\$ 309.67	\$ 158.87	\$ 150.80
1936	1,537.76	1,594.69	(56.93)
1937	1,466.45	1,935.84	(469.39)
1938	1,326.03	1,669.94	(343.91)
1939	1,389.66	1,854.15	(464.49)
1940	<u>1,462.16</u>	<u>1,837.97</u>	<u>(375.81)</u>
Totals	\$7,491.73	\$9,051.46	(<u>\$1,559.73</u>)

(Red Figures)

Mr. C. W. Barton, President of the company, testified that the Securities Company has refused to make up the yearly losses sustained by applicant and as bare operating expenses have not been earned since 1935, it is desired to abandon service and cease operations.

A report was also presented by Everett L. Clark, one of the Commission's engineers, which showed the estimated original cost of the system to be \$17,950, together with a corresponding depreciation annuity of \$354, and also set out a detailed analysis of the 1939 and 1940 maintenance and operating expenses.

The detail of the operating accounts shows that payroll and salaries constituted 52% of the total expenditures. The president, Mr. C. W. Barton, and the accountant, W. L. Stumpf, were paid \$25.00 a month each for their services. A manager and a caretaker were paid \$15.00 a month each. The record shows that Mr. Barton ceased drawing a salary in May, 1941, and he testified that he would forego any further salary in order to reduce operating costs. Mr. Clark considered the management charges excessive for the relatively small number of consumers served.

Charles R. Smith, testifying for the Committee of Consumers, protested the demand for authority to abandon on the grounds that management charges were unreasonably excessive and that the same service costing applicant \$780 per year could be performed by residents on the tract for an amount not to exceed \$100, and that the installation of a 20-horsepower motor in place of the 50-horsepower motor, together with more efficient pumping equipment would reduce power service charges approximately \$125 per year. He also suggested that the minimum quantity of water for intermittent irrigation service that is now established as 15,000 cubic feet per

month at 3¢ per 100 cubic feet, be reduced to 5,000 cubic feet per month at the same rate, as more consumers would take the smaller quantity of water and thereby produce more revenue for applicant. He claimed that these savings would easily exceed the losses sustained in the past and thereby permit the Company to continue its operations without suffering an out-of-pocket loss. No protest was made against the other rates presently in effect.

A careful consideration of the evidence submitted in connection with this proceeding indicates that applicant can and in all fairness should effect economies in operating costs that will eliminate a large part of the unnecessary annual losses sustained at present as well as heretofore in the past and enable it to continue its operations with no out-of-pocket losses but admittedly at a very small profit. The suggestion has been generally approved that the reduction in the minimum monthly quantity of water for intermittent irrigation service from 15,000 to 5,000 cubic feet be given a fair trial.

Officials of applicant water company, as well as those of Consolidated Title Securities Company of Los Angeles in charge of this particular subsidiary's business affairs, conceded the fairness of reducing the overhead quite drastically and, furthermore, stated their position that neither of the two corporations desired nor would request a fair net return upon the water utility's operations under present circumstances. In view of these concessions, it is apparent that with the economies suggested in future operations, together with the increased revenues which should be realized through adjustments in the existing rate schedule, that out-of-pocket losses will become a thing of the past and that some net return upon the investment hereinafter should be realized. For these reasons and under the circumstances, it appears that this application be dismissed.

O R D E R

Application as entitled above having been filed with the Railroad Commission, a public hearing 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 Application No. 24055 by Inter-County Water Company, a corporation, to discontinue operation of its water system serving Tracts No. 2206 and No. 2138 in San Bernardino County, and Rivino Orchards in Riverside County, be and it is hereby denied.

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 2nd day of December, 1941.

[Signature]
[Signature]
Justus F. Cackler
Francis D. Havens
[Signature]