

Decision No. 37285

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION
OF INTER-COUNTY WATER COMPANY
FOR AUTHORITY TO INCREASE RATES

ORIGINAL

Application No. 25748

W. L. Stumpf and F. W. Audrain, for Applicant.

CRAEMER, COMMISSIONER:

O P I N I O N

In the above entitled application, the Inter-County Water Company, a corporation, supplying water for domestic and irrigation purposes in San Bernardino County and in Riverside County, asks the Railroad Commission for authority to increase its rates. The application alleges that the existing rates do not produce sufficient revenue to provide maintenance and operating expenses.

A public hearing in this matter was held before Commissioner Craemer and Examiner E. L. Clark, at Riverside.

Inter-County Water Company was incorporated February 21, 1935, and was authorized by the Commission in its Decision No. 28260, dated October 7, 1935, to purchase the water system involved herein from Consolidated Title Securities Company. The water system⁽¹⁾ was installed about 1926 and 1927 by Mr. L. H. 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, which company still owns all outstanding shares of common stock in applicant corporation, except shares qualifying directors.

The rates charged at present are as follows:

(1) For early history, see Opinion, Decision No. 28260, dated October 7, 1935, in Application No. 25748; and Opinion, Decision No. 34808, dated December 2, 1941, in Application No. 24055.

GENERAL METERED SERVICE

<u>Minimum Charge:</u>	<u>Per Month</u>
3/4-inch meter	\$1.75
1-inch meter	2.00
1 1/2-inch meter	2.50
2-inch meter	3.50

<u>Quantity Charge:</u>	
First 10,000 cubic feet, per 100 cubic feet .	\$0.055
All over 10,000 cubic feet, per 100 cubic feet .	.03

INTERMITTENT IRRIGATION SERVICE

On demand, subject to conditions as follows:

<u>Quantity Rates:</u>	<u>Per Month</u>
First 15,000 cubic feet, or less	\$4.50
All over 15,000 cubic feet, per 100 cubic feet .	0.03

This service at the above quantity rates shall be available for and applicable only to water furnished for intermittent irrigation, and delivered at ground surface into an open ditch for further distribution by the user during not more than three intervals in each month. This service is further subject to demands of regular domestic and irrigation consumers, and to rotation among the intermittent users.

The following schedule of rates is requested by applicant:

GENERAL METERED SERVICE

<u>Quantity Charge:</u>	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cubic feet, per 100 cubic feet . . .	\$0.25
Next 1,000 cubic feet, per 100 cubic feet15
Next 1,000 cubic feet, per 100 cubic feet05
Over 3,000 cubic feet, per 100 cubic feet03

<u>Minimum Charge:</u>	
For 3/4-inch meter	\$3.00
For 1-inch meter	3.50
For 1 1/2-inch meter	4.50
For 2-inch meter	5.50

INTERMITTENT IRRIGATION SERVICE

On demand, subject to conditions as follows:

<u>Quantity Rates:</u>	<u>Per Month</u>
First 10,000 cubic feet, or less	\$4.50
Over 10,000 cubic feet, per 100 cubic feet	0.03

This service at the above quantity rates shall be available for and applicable only to water furnished for intermittent irrigation, and delivered at ground surface into an open ditch for further distribution by the user during not more than three intervals in each month. This service is further subject to demands of regular domestic and irrigation consumers and to rotation among the intermittent users.

Water for this system is obtained from a 350-foot well and delivered to a 50,000-gallon reinforced concrete covered reservoir from which it flows by gravity through 16,800 feet of steel and concrete mains varying in diameter from 1 inch to 14 inches. Irrigation and domestic service is rendered to 45 consumers whose premises vary in size from one to two acres in a contiguous area comprising approximately 175 acres.

Mr. W. L. Stumpf, president of applicant water company, testified that since the company has operated the system the revenue produced by the rates in effect have not been sufficient to provide operating expenses, or to repay in whole, or in part, advances made to it, in the sum of \$1,025, by the Consolidated Title Securities Company, upon which no interest has been paid.

Mr. Stumpf stated that the fixed capital shown by the company's books totalled \$17,933, as of April 30, 1943, that the loss sustained by the company for the years 1935 to 1942, inclusive, including depreciation, totalled \$7,607, and estimated the 1943 operation expenses would be \$2,164, which includes \$386.60 for depreciation. The requested rate schedule was estimated to produce an annual revenue of \$2,585 which would provide the above estimated operating expenses, and a sum of \$421 to cover partial payment on advances made to the company and interest charges on these advances.

The company president further testified that the storage tank roof and distribution pipe lines required repairs, which could not be made because of the operating losses incurred.

The results of operations as shown by applicant's books for the seven years, 1935 to 1942, inclusive, are summarized as follows:

Year	Operating Revenue	Operating Expense Including Depreciation Annuity	Operating Loss
1936	\$1,537.76	\$2,043.14	(\$505.38)
1937	1,466.45	2,384.25	(\$917.80)
1938	1,326.03	2,118.35	(\$792.32)
1939	1,389.66	2,302.99	(\$913.33)
1940	1,462.16	2,287.57	(\$825.41)
1941	1,261.91	2,122.92	(\$860.93)
1942	1,489.19	1,551.07	(\$61.88)

(Red Figures)

Mr. C. F. Norris, one of the Commission's engineers, submitted a report covering an investigation of the operations of the system giving the estimated original cost of the system to be \$17,950, as of October 30, 1943, with a correspondence depreciation annuity of \$354, computed by the sinking fund method at 5%, and the accrued depreciation as \$7,580. The report also contained an estimate of operating expense for 1943 in the amount of \$2,079, which was based on present operating methods, and included an allowance of \$442 for depreciation. This sum includes a \$300 a year salary paid the local caretaker for reading meters, making collections, etc., and also \$300 a year paid the Metropolitan Trust Company of California for management, making out the bills, keeping the books and records, etc. The operating revenue for the year 1943 was estimated to total \$1,628, at the present rates in effect. The requested rate schedule was estimated to produce an annual revenue of \$2,358.

The record shows that the service area is still largely unsettled and by no means fully developed as indicated by the number of consumers served,

which has varied from 36 in 1935, when this company acquired the system, to 45 at present. It is clear that the company has made no serious effort to reduce the costs of operation of this small water system to correspond with the size of the plant and the few consumers served, in accordance with the recommendations set forth in this Commission's Decision No. 34808, dated December 2, 1941, the last proceeding involving the rates of this utility, which in part reads as follows:

"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."

Applicant still uses an over-sized 50 horsepower motor and pump, capable of producing sufficient water for the entire tract at full development. The installation of a much smaller pumping unit can furnish ample water to meet present requirements and at the same time very substantially reduce the power and delivery costs.

The type of demand on this system is unusual. It is a combination of strictly household use and a partial agricultural irrigation service. The revenue yield under the present rate structure is not quite sufficient. However in the schedule of rates proposed by applicant, the spread of rates is discriminatory and improper, the overwhelming burden being placed upon the initial monthly minimum charge at an amount so high as to be entirely disproportionate with the class of service rendered. The modification of the quantity rates as set forth in the schedule established in the following Order will more equitably distribute the payments for water as used without placing any unreasonable impact upon the user of small quantities of water. The \$2,400 annual revenue estimated to be realized thereunder not only should exceed expenses, including depreciation, but with proper and economical management and plant operation should also produce a net return satisfactory under the circumstances.

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 FOUND AS A FACT that the rates now charged by the Inter-County Water Company, a corporation, for water delivered to its consumers in San Bernardino County and in Riverside County, 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 service rendered; and

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

IT IS HEREBY ORDERED that the Inter-County Water Company, a corporation, be and it is hereby authorized and directed to file in quadruplicate with the Railroad Commission, on five-days' notice, the following schedules of rates to become effective thirty (30) days after the date of this Order, for all water service rendered in or in the vicinity of Tract No. 2206 and Tract No. 2138, County of San Bernardino, and Ravino Orchards in the County of Riverside, and areas contiguous thereto in the vicinity of Crestmore:

GENERAL METERED SERVICE

<u>Monthly Minimum Meter Charges:</u>	<u>Per Meter Per Month</u>
For 3/4 or 5/8 x 3/4-inch meter	\$1.75
For 1-inch meter	2.00
For 1 1/2-inch meter	2.50
For 2-inch meter	3.50
For 3-inch meter	5.00

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

GENERAL METERED SERVICE - Continued

Monthly Quantity Charges:

For Combination Domestic and Irrigation Service:

First	700 cubic feet, or less	\$1.75
Next	1,300 cubic feet, per 100 cubic feet15
Next	1,000 cubic feet, per 100 cubic feet10
Next	1,000 cubic feet, per 100 cubic feet05
Next	2,000 cubic feet, per 100 cubic feet04
Over	6,000 cubic feet, per 100 cubic feet03

INTERMITTENT IRRIGATION SERVICE

Per Month

On demand, subject to conditions as follows:

Quantity Rates:

First	10,000 cubic feet, or less	\$4.50
Over	10,000 cubic feet, per 100 cubic feet03

This service at the above quantity rates shall be available for and applicable only to water furnished for intermittent irrigation, and delivered at ground surface into an open ditch for further distribution by the user during not more than three intervals in each month. This service is further subject to demands of regular domestic and irrigation consumers and to rotation among the intermittent users.

IT IS HEREBY FURTHER ORDERED that the Inter-County Water Company, a corporation be and it is hereby directed as follows:

1. Within thirty (30) days from the date of this Order, to submit to this Commission for its approval four sets of rules and regulations governing relations with the consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of its present service area, and the location thereof with reference to the surrounding territory; provided, 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.
2. Within sixty (60) days from the date of this Order, to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 400 feet

to the inch, upon which shall be delineated by appropriate markings the territory presently served. This map shall be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service, provided, however, that such map 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.

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.

Dated at Los Angeles California, this 18th day of August, 1944.

Richard Kachse
Justus F. Craemer
Francis D. Haven
Samuel
James P. Rouse
Commissioners.