

ORIGINAL

Decision No. 37679

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
IDYLLWILD WATER COMPANY, a corporation,
for authorization to increase rates.

Application No. 25989

E. I. Funk, for Applicant.

CRAEMER, COMMISSIONER.

O P I N I O N

In this proceeding, Idyllwild Water Company, a corporation, engaged in the business of supplying water for domestic and other purposes to a resort community in the San Jacinto Mountains, at Idyllwild, Riverside County, asks the Commission for authority to increase the rates for water service.

In the application Idyllwild Water Company alleges that an increase in rates is required in order to provide revenues to meet operating expenses and depreciation allowance. The application further alleges that the present pipe lines are inadequate to supply the demand for service and the installation of larger mains will require an expenditure of approximately \$10,000. The requested rates will make it possible to adequately maintain and operate the system. The Commission is asked to establish the following schedule of rates:

FLAT RATES

ANNUAL FLAT RATE SCHEDULE - PAYABLE ON JANUARY 1.

Residences, boarding houses, apartments, etc., of six rooms or less	\$18.00
Stores, shops or offices	18.00
Laundries	36.00
Restaurants and eating houses	27.00

FLAT RATES - Continued

Auto Courts or Camps:	
For each apartment or room with running water	\$ 4.50
For each public toilet	4.50
For each public bathtub or shower	4.50
Service Stations	27.00
Garages	27.00
Construction use:	
For each 100 feet, mass concrete, including wetting . . . . .	.75
For each 100 feet, stone work, including wetting . . . . .	.75
For each 100 square yards, plaster, including wetting . . . . .	.75
For each sack cement or barrel of lime for other purposes . . . . .	.22
For settling each 100 lineal feet of pipe or sewer ditch . . . . .	.75

ANNUAL METERED RATES

Annual Minimum Charges Payable on January 1:

5/8 x 3/4 inch meter	\$18.00
3/4 inch meter	22.50
1 inch meter	27.00
1 1/2 inch meter	36.00
2 inch meter	54.00

Each of the foregoing annual minimum charges will entitle the consumer to the quantity of water which that minimum annual charge will purchase at the following quantity rates:

Annual Quantity Rates:

0 to 3,600 cubic feet, per 100 cubic feet	\$0.48
Next 1,400 cubic feet, per 100 cubic feet . . . . .	.30
Next 5,000 cubic feet, per 100 cubic feet . . . . .	.22
Over 10,000 cubic feet, per 100 cubic feet . . . . .	.15

A public hearing on this proceeding was held at Idyllwild.

The territory served is within Township 5 South, Range 3 East, S.B.B. & M., and ranges in elevation from 5,000 to 5,700 feet above sea level. Idyllwild business district and recreation center are at an elevation of 5,300 feet. The surrounding territory is subdivided into approximately 1,000 lots. To the north are areas occupied by Boy Scout and other camps and to the west a golf course is located along Strawberry Creek.

Water for this system is obtained by diversion from Lily Creek and Strawberry Creek. It is conveyed through 4,500 feet of transmission mains,

varying from 6 to 3 inches in diameter, to a 100,000-gallon concrete reservoir located on Government land north of Idyllwild. The distribution system is connected to the transmission line and consists of 84,152 feet of pipe, varying from 1½ to 5 inches in diameter. Additional storage is provided by a 30,000-gallon steel tank located on Lot 1, Block 14, in Westridge Tract. There are 325 consumers receiving service from the system and water is delivered to 28 users on a measured basis and the balance at flat rates. There are also 13 wharf-type fire hydrants connected to the system for which no charge is made but which are available for Forest Service fire-fighting equipment.

The rates at present in effect were established by the Commission in its Decision No. 25459, dated December 19, 1932, and are as follows:

Flat Rates

Annual Flat Rate Schedule - Payable on January 1

Residences, boarding houses, apartments, etc., of six rooms or less	\$12.00
Stores, shops or offices	12.00
Laundries	24.00
Restaurants and eating houses	18.00
Auto Courts or Camps:	
For each apartment or room with running water	3.00
For each public toilet	3.00
For each public bathtub or shower	3.00
Service Stations	18.00
Garages	18.00
Construction Use:	
For each 100 cubic feet, mass concrete, including wetting . . . . .	.50
For each 100 cubic feet, stone work, including wetting . . . . .	.40
For each 100 square yards, plaster, including wetting . . . . .	.50
For each sack of cement or barrel of lime for other purposes . . . . .	.15
For settling each 100 lineal feet of pipe or sewer ditch . . . . .	.50

Metered Rates

Annual Minimum Charges Payable on January 1:

5/8 x 3/4 inch meter	\$12.00
3/4 inch meter	15.00
1 inch meter	18.00
1½ inch meter	24.00
2 inch meter	36.00

Metered Rates - Continued

Each of the foregoing annual minimum charges will entitle the consumer to the quantity of water which that minimum annual charge will purchase at the following quantity rates:

Annual Quantity Rates:

0 to 3,600 cubic feet, per 100 cubic feet	\$0.33-1/3
Next 1,400 cubic feet, per 100 cubic feet . . . . .	.20
Next 5,000 cubic feet, per 100 cubic feet . . . . .	.15
Over 10,000 cubic feet, per 100 cubic feet . . . . .	.10

Meters will be read on the 1st of January, April, July and October and a statement rendered each consumer within ten (10) days of said date, showing the meter readings and a statement of the balance, if any, due under the annual minimum charge, or bill for excess water over the annual minimum allowance in cases where this quantity has been exceeded.

The evidence shows that Idyllwild Water Company, by reason of its stock being owned by Idyllwild, Inc., a corporation, was under the direction and management of Idyllwild Bondholders' Committee. The stock of Idyllwild Water Company passed to the Bondholders' Committee when the parent company, Idyllwild, Inc., defaulted in payment of some \$150,000 of its mortgage, serial, 7 1/2% bonds. Under the circumstances, Idyllwild Water Company had no funds other than the operating revenue with which to operate the system and maintain it. Early in 1944, the Bondholders' Committee completed liquidation of the assets held under the trust indenture securing the bond lien. On February 20, 1944, Dr. Paul D. Foster acquired, in addition to other properties, all of the stock of Idyllwild Water Company and immediately assumed control and management of the property. Mr. E. I. Funk, Vice President and General Manager for Applicant, testified that one of the first actions of the new management was to increase the height to Lily Creek Dam in order to provide an additional stored supply of water. However, on July 20, 1944, the Dam failed completely from undermining caused by leakage under the original structure. A water shortage during the season of 1944 was averted by obtaining a supply from Fern Valley Mutual Water Company. Diversions by this mutual water company are made from Strawberry Creek and its tributaries at elevations above points of diversion of Idyllwild Water Company.

Prior to 1940 it had been necessary for Idyllwild Water Company to augment the water supply from surface streams by wells but these sources were abandoned in 1941. The seasons from 1941 to and including 1944 have had normal precipitation or better, and the stream supply has met the consumers' ordinary requirements, except for some shortages during the periods of peak demand.

The normal flow of Strawberry Creek and its tributary, Lily Creek, is inadequate to meet the summer demand for water without the aid of a stored supply as Idyllwild is a resort community and the maximum summer demands occur on weekends when the population may exceed 3,000 people. The existing distribution and storage facilities have not always been able to meet this peak demand and some interruptions in service have occurred. In order to provide continuous service in the future, Applicant has expended the sum of approximately \$2,000 for a complete survey of a dam and reservoir site on Lily Creek that is estimated to store 53 acre feet, or some 17,300,000 gallons of water, and will require an expenditure of \$30,000 to build. Applicant expects to start construction on this structure in the early spring of 1945 and to have it completed at an early date. This reservoir will increase the stored supply of water available to the consumers of Idyllwild Water Company more than seventeen times that of the existing facilities and is expected to provide consumers with a continuous and adequate service during periods of maximum use. In addition to the increase in stored water supply, Idyllwild Water Company also has secured a permit from the State Division of Water Resources for the diversion of stream flow from Little Tahquitz Creek, for the period of May 1 to November 1, which will produce 5 acre feet or 1,600,000 gallons of water.

Mr. Funk further testified that Applicant's total operating expense for the year 1944, excluding allowance for depreciation, was \$6,963.17 and that its total revenue was \$4,382.43, which resulted in a loss of \$2,580.74 for the year's operations. Of this expense, \$542 was brought about by the failure of the Lily Creek Dam which necessitated the cleaning of the Lily Creek intake structure

and pipe lines leading from it. Other unusual expenses were repairs to the old distribution and transmission pipe lines which will continue to be necessary until they are replaced with new ones and it is proposed to progressively make such replacements. A full return on the investment is not requested at this time but sufficient revenue is desired to keep the system in satisfactory operating condition.

A report was submitted by Everett L. Clark, one of the Commission's engineers, covering an appraisal of the system and an analysis of the cost of its operations. He estimated the original cost of property to be \$65,615 and the depreciation annuity, computed by the 5% sinking fund method, at \$754. The cost of property does not include the sum of \$30,000, estimated to be the cost of the earth-fill dam to be constructed on Lily Creek, or the \$10,000 proposed to be expended for the installation of new mains.

The revenues and maintenance and operation expenses for the past five years, as compiled from the annual reports filed with the Commission and estimated for 1944, are as follows:

	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944*</u>
Operating Revenues	\$4,111	\$4,342	\$3,540	\$3,718	\$3,729	\$3,883
Operating Expenses	3,436	3,294	2,747	4,002	3,863	6,963
Depreciation	<u>1,805</u>	<u>1,342</u>	<u>1,351</u>	<u>1,406</u>	<u>1,506</u>	<u>754</u>
Total Expenses	\$5,241	\$4,636	\$4,098	\$5,408	\$5,369	\$7,717
Loss	\$1,130	\$ 294	\$ 558	\$1,690	\$1,640	\$3,834

(*). Months of November and December estimated.

After analyzing the operating accounts, Mr. Clark estimated that the normalized expenses for 1945 and the immediate future would total \$6,819.

The report also showed the results of operation of the system for the year 1944 under present rates in effect as compared with the rates requested:

	<u>Present Rates</u>	<u>Requested Rates</u>
Estimated Fixed Capital :	\$60,278	\$60,278
Operating Revenues :	4,382	6,573
Operating Expenses :	<u>6,819</u>	<u>6,819</u>
Loss	\$ 2,437	\$ 246

It is apparent that an increase in rates is necessary in order to produce sufficient revenue to provide bare operating costs.

The files of the Commission show a long record of informal complaints by the consumers of this system protesting the unsatisfactory service furnished them, particularly during the period when it was operated by the Bondholders' Committee when maintenance and operation expenses were restricted to the revenues received. The increase in rates will enable Applicant to properly maintain the property and provide the adequate service to which the consumers are entitled.

There were no protests made at the hearing against granting the rates requested in the application. However, two letters from consumers were read into the record, one complaining of the inadequacy of the water service and objecting to paying the flat rate when water is not available during shortages; the other letter objecting to part time or summer residents paying the same rate as those who reside in the community and receive yearly service.

Water users present spoke in support of the application. In several instances they offered specific suggestions as to permitting the property owners, having more than one residence on their premises, the privilege of choosing a flat or a metered service; and to adding another block of rates to the requested schedule, providing for 10¢ per 100 cubic feet for use over 20,000 cubic feet. The management readily agreed to adopt the suggestions and amended the application to include the ten-cent block.

The system must be held in readiness to supply water to all consumers upon demand throughout the year as this community is recognized as an all-year resort area. It is necessary therefore to have an annual charge for the service in order that sufficient revenue may be produced from all classes of consumers that will enable the utility to maintain a continuous service. Under the circumstances, it appears just and reasonable and in the best interests of the public that the application as amended be granted.

The following form of Order is recommended:

O R D E R

Application, as amended at the public hearing and 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 fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Idyllwild Water Company, a corporation, for water supplied to its consumers within Township 5 South, Range 3 East, S.B.B. & M., in and in the vicinity of Idyllwild, an unincorporated community in the County of Riverside, 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 finding of fact and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Idyllwild Water Company, a corporation, be and it is hereby authorized and directed to file with the Railroad Commission, within sixty (60) days from the date of this Order, the following schedules of rates to become effective on and after the first day of April, 1945:

Schedule No. 1

ANNUAL METERED RATES

Applicability:

Applicable to all water service rendered on an annual metered basis.

Territory:

Within Township 5 South, Range 3 East, S.B.B. & M., in the vicinity of Idyllwild, an unincorporated resort area in the County of Riverside,

Rates:

Per Meter
Per Calendar Year

Annual Quantity Charges:

First	3,600 cubic feet, per 100 cubic feet . . .	\$0.48
Next	1,400 cubic feet, per 100 cubic feet . . .	.30
Next	5,000 cubic feet, per 100 cubic feet . . .	.22
Next	5,000 cubic feet, per 100 cubic feet . . .	.15
Over	15,000 cubic feet, per 100 cubic feet . . .	.10

Annual Minimum Charges:

5/8 x 3/4 inch meter	\$18.00
3/4 inch meter	22.50
1 inch meter	27.00
1 1/2 inch meter	36.00
2 inch meter	54.00

The annual minimum charge will entitle the consumer to the quantity of water which that annual minimum charge will purchase at the annual quantity rates.

Special Conditions:

1. The annual minimum charges for the calendar year, January 1 to December 31, shall be due and payable in advance on April 1 of the year in which service will be rendered.

Schedule No. 2

ANNUAL FLAT RATES

Applicability:

Applicable to all water service rendered on an annual flat rate basis.

Schedule No. 2 - Continued

ANNUAL FLAT RATES

Territory:

Within Township 5 South, Range 3 East, S.B.B. & M., in the vicinity of Idyllwild, an unincorporated resort area in the County of Riverside.

Rates:

Per Year

For each residence, building or dwelling, boarding house, apartment or cabin, of six rooms or less	\$18.00
Stores, shops or offices	18.00
Laundries	36.00
Restaurants and eating houses	27.00
 Auto courts or camps:	
For each apartment or room with running water	4.50
For each public toilet	4.50
For each public bathtub or shower	4.50
 Service Stations	 27.00
Garages	27.00
 Construction use:	
For each 100 feet, mass concrete, including wetting . . . . .	.75
For each 100 feet, stone work, including wetting . . . . .	.75
For each 100 square yards plaster, including wetting . . . . .	.75
For each sack of cement or barrel of lime for other purposes . . . . .	.22
For settling each 100 lineal feet of pipe or sewer ditch . . . . .	.75

Special Conditions:

1. The annual rate charged for the calendar year, January 1 to December 31, shall be due and payable in advance on or before the 1st day of April in the year in which service will be rendered.
2. Any classification of service not included in the above will be rendered under Schedule No. 1, Annual Metered Rates.

IT IS HEREBY FURTHER ORDERED that Idyllwild Water Company 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 its 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 should 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.

For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

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 San Francisco, California, this 9th day of February, 1945.

Shawld Anderson
Justice F. Craven
Richard L. Lachse
Francis O. O'Connell
Irving H. Powell
 Commissioners.