

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of Application of)
 JAMES A. MURRAY and ED FLETCHER for)
 and order fixing rates to be charged)
 and collected for water furnished and)
 to be furnished by them and service) Application No. 1231.
 rendered by them in furnishing water)
 and in furnishing, carrying and con-)
 veying water in the County of San Diego,)
 State of California.)

Sweet, Stearns and Forward, by F. W. Stearns,
 S. B. Robinson and A. E. Chandler for
 James A. Murray, Ed Fletcher, William G. Henshaw
 and Cuyamaca Water Company.
 Edgar A. Luce for La Mesa, Lemon Grove and Spring
 Valley Irrigation District.
 D. G. Gordon, Sumner and May and P. S. Thatcher
 for consumers on flume line.
 T. B. Cosgrove, City Attorney, for City of San Diego.
 F. G. Blood for City of East San Diego.
 Haines and Haines for Lemon Grove Mutual Water Company,
 Lemon Grove Park, and Fairmount Water Company.
 Fred L. Burgan and C. R. King for Normal Heights
 Water Consumers.
 D. L. Wood for Granada Tract.
 Titus, Creed, Jones and Dall for C. A. Hooper and Company.

THELEN and LOVELAND, Commissioners.

SUPPLEMENTAL OPINION.

James A. Murray and Ed Fletcher, co-partners doing
 business under the firm name and style of Cuyamaca Water Company,
 hereinafter referred to as the Cuyamaca Company, ask the Railroad
 Commission to make its order establishing just and reasonable
 rates to be charged by them for water sold for domestic and irri-
 gation use in a portion of San Diego County, California.

The subject matter of this opinion will be discussed
 under the following heads:

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1. Proceedings affecting Cuyamaca Company.
2. Existing Rates.
3. Rate Base.
4. Depreciation Annuity.
5. Maintenance and Operating Expenses.
6. Capacity of System - present and prospective.
7. Rates herein established.
8. Rules and Regulations.

1. PROCEEDINGS AFFECTING CUYAMACA COMPANY

In Application No. 118, the Cuyamaca Company filed its petition alleging, in effect, that its rates for water sold by it were unjustly low and asking the Railroad Commission to establish just and reasonable rates. After exhaustive investigation, this Commission, on March 28, 1913, made its Decision No. 536 in said application (Vol. 2, Opinions and Orders of the Railroad Commission of California, p. 464). In this decision, this Commission, speaking through Commissioner Eshleman, found that the fair value of the Cuyamaca Company's property devoted to the public use was, at the time of the decision, the sum of \$352,500.50; that reasonable maintenance and operating expenses would be \$28,600.00 per annum, but that pending the renewal of the Cuyamaca Company's flume, the Company could not, in justice and under the law demand more than the proportion of its operating and maintenance expenses which was represented by the adequacy of the system, which sum was approximately \$21,000.00; that a reasonable depreciation annuity on the straight line theory would be \$21,150.03; and that a reasonable gross revenue would be \$66,825.03. Basing its decision on these findings and on the other findings which are contained

On the opinion in said decision, the Railroad Commission made its order authorizing the Guyamaca Company to increase its rates for water in the amount and under the conditions specified in the order in said decision. The order contains specific findings of fact and then provides as follows:

"IT IS HEREBY ORDERED that the applicants herein begin immediately the construction of a flume in lieu of the one now used, which flume shall be of a character satisfactory to this Commission after the plans therefor have been submitted to it, but shall in any event be a closed flume or conduit of suitable material to be determined on the submission of the plans to this Commission; and

IT IS FURTHER ORDERED that within thirty (30) days from the date of this order that the applicants file with this Commission plans and specifications of said flume; and

IT IS FURTHER ORDERED that said applicants take immediate steps to increase the available supply of water so that the same may be increased over the present available supply at least 33-1/3 per cent. While the Commission does not at the present prescribe details with reference thereto it reserves and does not finally determine this question, and in the event that these applicants do not within a reasonable time in the opinion of the Commission begin the construction of other facilities than the ones specifically ordered herein, this particular matter being held open for decision and for the further submission of evidence, will again be considered by this Commission after due notice to the applicants and the parties hereto as required by law; and

IT IS FURTHER ORDERED that no additional consumers be added to this system except domestic consumers under the terms hereinbefore in this opinion and order set out; and

IT IS FURTHER ORDERED that the following rates be and they are established as just and reasonable and the only rates to be charged by the applicants herein;

(1) For domestic use 25 cents per thousand gallons, with a minimum charge of \$1.25 per month, the applicants to furnish meters and cost of installation of all facilities, the consumer to furnish pipes upon his own premises.

(2) For water to the La Mesa Mutual Water Company for domestic use within the town of La Mesa, 15 cents per thousand gallons, with a minimum charge of \$100 per month.

(3) For water for irrigation purposes, including domestic purposes incident thereto, taken from the flume as hereinbefore described, \$65 per miner's inch per annum.

(4) For water for irrigation purposes, including domestic purposes incident thereto, other than that taken from the flume, \$70 per miner's inch per annum.

All of said rates to be charged under just and reasonable regulations as regards service as the company may adopt and this Commission approve, and shall apply on and after July 1, 1913, and before such time the applicants shall file with this Commission rates in accordance herewith, and

IT IS FURTHER ORDERED that each and every portion of this order is made in contemplation of the performance by the applicants of every other portion thereof, and that this

order is not to be considered as separable, and that no rates other than the ones that are now being charged by these applicants may be charged or collected, until said applicants have complied with all of the provisions of this order or shall satisfy this Commission that they are in good faith proceeding to comply therewith."

The Cuyamaca Company having represented to the Railroad Commission that it was proceeding in good faith to comply with the provisions of said order, the company was permitted to charge and collect the rates specified in said order. These rates were accepted without contest by the Cuyamaca Company's consumers. With minor modifications, to which it is not necessary here to refer, these rates have been in effect continuously subsequent to July 1, 1913.

Thereafter, in Application No. 756, the Cuyamaca Company asked authority to increase its charges for water to cover the cost of securing a temporary additional supply to relieve a shortage in supply and for other reasons. In its Decision No. 1186, made in said proceeding on December 31, 1913, (Vol. 3, Opinions and Orders of the Railroad Commission of California, p. 1240) the Railroad Commission, speaking through Commissioner Loveland, found that the Cuyamaca Company had not complied with the conditions contained in the order in said Decision No. 536 and ruled that the petition in Application No. 756 should be held in abeyance pending the compliance by the Cuyamaca Company with the order in said Decision No. 536. The Cuyamaca Company was advised that upon compliance with the order in said Decision No. 536, the company might apply for a readjustment of its rates, at which time the entire matter would be considered and adjusted.

Thereafter, on July 10, 1914, the Cuyamaca Company filed its original petition in the present proceeding, in which petition the Cuyamaca Company requested that its rates be further

increased.

Subsequent thereto, the Cuyamaca Company and La Mesa, Lemon Grove and Spring Valley Irrigation District filed their joint petition in Application No. 1432. This petition recited that the parties had entered into an agreement dated November 17, 1914, in which the Cuyamaca Company agreed to sell its system to the La Mesa District and the La Mesa District agreed to purchase the same, at such price as should be established by the Railroad Commission. The parties asked the Railroad Commission to fix and determine the fair price to be paid and received for said system.

Shortly thereafter, the City of San Diego filed with the Railroad Commission its petition in Application No. 1482. This petition alleged, in accordance with the provisions of Section 47 of the Public Utilities Act, that the City of San Diego desired to acquire by eminent domain proceedings, or otherwise, the property of the Cuyamaca Company and requested that the Railroad Commission fix and determine the just compensation to be paid by the City for said property, as provided by Section 47 of the Public Utilities Act.

By consent of all parties, it was stipulated that the evidence taken in each of the three proceedings next hereinbefore specified, being the present proceeding and Applications Numbers 1432 and 1482, might be considered in each of said three proceedings. It was further stipulated that the evidence taken in Application No. 118, being the first proceeding affecting the Cuyamaca Company, might be considered in each of these three proceedings. Accordingly, we have before us in the present proceeding the entire evidence heretofore taken in Applications Numbers 118, 1432 and 1482, as well as the evidence specifically introduced in the present proceeding.

On June 26, 1915, the Railroad Commission made its decisions in Applications Numbers 1432 and 1482, and its order pendents lite in the present proceeding.

In Decision No. 2527, made in said Application No. 1482, City of San Diego, the Railroad Commission, speaking through Commissioner Thelen, found that the just compensation to be paid by the City of San Diego to the Cuyamaca Company for almost its entire property was the sum of \$745,000.00 and that the just compensation to be paid by the City of San Diego for a designated portion of said property was the sum of \$644,669.00, with the additional sum of \$32,966.12 for severance damages (Vol. 7, Opinions and Orders of the Railroad Commission of California, p. 305).

In Decision No. 2531, made in said Application No. 1432, Murray and Fletcher and La Mesa District, the Railroad Commission, speaking through Commissioner Thelen, found that the fair price to be paid by the La Mesa District for the property of the Cuyamaca Company under the agreement of November 17, 1914, was the sum of \$745,000.00 (Vol. 7, Opinions and Orders of the Railroad Commission of California, p. 334).

In Decision No. 2525, made on the same day in the present proceeding, the Railroad Commission, speaking through Commissioner Thelen, held, in view of the supposed imminent purchase of the property of the Cuyamaca Company either by the La Mesa District or the City of San Diego, and of other matters referred to in the opinion therein, that further consideration of the present proceeding should be deferred until November 15, 1915, at which time, if the Cuyamaca Company should still be the owner of its water system without prospect of sale in the immediate future, and if the company had rendered full service to its customers during the irrigation season of 1915, the company might, by supplemental

petition, ask the Railroad Commission to resume further consideration of this proceeding.

On January 6, 1916, the Cuyamaca Company filed herein its supplemental petition alleging, in effect, that there was no reasonable prospect of selling its system either to the La Mesa District or to the City of San Diego and asking that the Railroad Commission proceed with further hearings herein. At a hearing held on this supplemental petition on February 25, 1916, in the City of San Diego, the La Mesa District protested against the resumption of hearings, on the ground that the District was willing to perform every condition in the contract of November 17, 1914, by it to be performed and expected shortly to acquire the property. The representatives of the Cuyamaca Company at said hearing represented that they were also willing to perform the conditions to be performed by them. There appearing to be a reasonable prospect that the parties might agree, further proceedings herein were suspended until the further order of the Railroad Commission,

The Railroad Commission having thereafter become convinced that there is no reasonable prospect in the immediate future of the transfer of the Cuyamaca Company's property either to the La Mesa District or to the City of San Diego, further hearings herein were resumed. These hearings were held in San Diego on August 5, 7, 8 and 9, 1916. This proceeding has been submitted and is now ready for decision.

Reference is hereby made to each of the decisions affecting the Cuyamaca Company, hereinbefore referred to. In the present opinion, we shall consider only such additional matters as are necessary to the determination of this proceeding.

2. EXISTING RATES.

For a discussion of the rates of the Cuyamaca Company prior to the revision thereof by the Railroad Commission in Decision No. 536 of March 28, 1913, in Application No. 118, the conditions under which such rates were established and maintained, the so-called water right contracts and the moneys paid thereunder by the consumers under this system to the predecessors of the Cuyamaca Company, and to the acquisition of the property by the Cuyamaca Company subject to all outstanding obligations, reference is hereby made to the decision of March 28, 1913, in Application No. 118, and also to Decision No. 2531, made on June 26, 1915, in said Application No. 1432.

With certain exceptions, the rates charged by the Cuyamaca Company are the rates established by the Railroad Commission in the decision of March 28, 1913, in Application No. 118, which rates were as follows:

1. For "domestic" use, 25 cents per 1000 gallons, with a minimum charge of \$1.25 per month, the Cuyamaca Company to furnish meters and to install all facilities and the consumer to furnish the pipes upon his own premises.
2. For water to La Mesa Mutual Water Company for "domestic" use within the Town of La Mesa, 15 cents per 1000 gallons, with a minimum charge of \$100 per month.
3. For water for "irrigation" purposes, including "domestic" purposes incident thereto, taken from the Cuyamaca Company's flume, \$65.00 per miner's inch per annum.
4. For water for "irrigation" purposes, including "domestic" purposes incident thereto, other than that taken from the flume, \$70.00 per miner's inch per annum.

The rate paid by the Fairmount Water Company was subsequently established at 15 cents per 1000 gallons (Vol. 7, Opinions and Order of the Railroad Commission of California, p.324).

During the period of the year in which surplus water was available from the San Diego River, the Cuyamaca Company has been selling such surplus water to all persons desiring to purchase the same, at the rate of 10 cents per 1000 gallons. As will hereinafter appear, a very considerable amount of surplus water has been thus sold to the City of San Diego.

It has been impossible to establish a satisfactory distinction between water used for "irrigation" purposes and water used for "domestic" purposes under the Cuyamaca Company's system, in accordance with the rate schedule of March 28, 1913, as hereinbefore set out. The attempt to have the so-called "domestic" rate apply to lots of one-half acre or less in size and of having the so-called "irrigation" rate apply to lots in excess of one-half acre in size has resulted in a large number of indefensible inequalities and inconsistencies. The form of this rate must be entirely changed.

The Cuyamaca Company urges that the rates now in effect fail to yield the gross revenue to which the company is entitled and hence asks that the Railroad Commission authorize a further substantial increase in said rates.

Part of the consumers take the position that no increases whatsoever should be permitted. Many of the consumers holding so-called water right contracts urge that they consented to the increase in rates established by the Railroad Commission in said Application No. 118, only because they expected that under the order in said decision the safe yield of the system would be very substantially increased by the Cuyamaca Company, so that the position of the consumers under this system, in view of the periods of drought to which this system is subject, would be made more secure. Other consumers herein take the position that they would be willing to pay a reasonable increase in the rates, pro-

vided that they could feel assured that the Cuyamaca Company would now proceed to the development of such additional storage facilities as might now be specified by the Railroad Commission.

3. RATE BASE.

As already indicated, the fair price for the specified portion of the Cuyamaca Company's system fixed and determined by the Railroad Commission in said Applications Numbers 1432 and 1482, to be paid by the La Mesa District and by the City of San Diego, respectively, for said property as of June 30, 1915, was the sum of \$745,000.00.

As shown in the decision in said Application No. 1432, made on June 26, 1915, this sum is sufficient to more than pay to the present owners of this water system their entire investment up to June 30, 1915, together with interest at the rate of 8 per cent per annum, and all deficits in earnings over maintenance and operating expenses, with interest at the rate of 8 per cent per annum thereon.

The property for which said compensation of \$745,000.00 was fixed includes in addition to property which is now used and useful in the service to the public, other property which is not used and useful and which hence should not be considered in a rate proceeding. Subsequent to June 30, 1915, additions and betterments have been made to the property. During the same period a considerable amount of property of the Cuyamaca Company was destroyed by floods in January, 1916, a portion of which property has not been replaced.

Table I shows additions and betterments and deductions, for the purpose of assisting in the determination of a proper rate base as of June 30, 1916.

Table I.

ADDITIONS AND BETTERMENTS AND DEDUCTIONS ± PROPERTY
OF CUYAMACA WATER COMPANY - June 30, 1916.

Just Compensation for Sale Purpose :

June 30, 1915 \$ 745,000.00

ADDITIONS

Additions and Betterments-June 30, 1915,
to June 30, 1916.

Without Overhead	\$11,284.00	
Overhead - 10%	<u>1,128.00</u>	<u>12,412.00</u>
		\$ 757,412.00

DEDUCTIONS

Property not now Used and Useful:

Grossmont Reservoir	4,747.00
" Pump Plant	1,725.00
" Distributing System	3,160.00
Miles Reservoir No. 1	2,687.00
" " No. 2	715.00
" Pump Plant	1,196.00
Kuhner Lands	2,875.00
Grossmont Lands	820.00
Miles Reservoir No. 1 Lands	1,104.00
" " No. 2 Lands	210.00
Monte Pump Plant Steam Equipment	2,295.00
Eight per cent interest for 2 years on above items	3,445.00
Non-operative Reservoir Expenditures	<u>10,248.81</u>
	<u>35,227.81</u>

Net Flood Damage:

Property included in compensation
of \$745,000.00, thereafter
destroyed by flood and not
replaced 7,000.00

Excess Estimate Capital Expenditures:

January 1, 1915 to June 30, 1915 6,508.00

Total deductions 48,735.81

Net Total \$ 708,676.19

The properties referred to as the Grossmont and Miles properties under the head of "Property not now used and useful" in Table I are actually being used, but only to supply a very few customers. These customers could not possibly pay rates on the entire investment used specially for their service, nor would it be fair to the other customers under this system to pay rates on this excess investment. The rates which we shall herein establish for the other portions of the Cuyamaca Company's system will be applied to the consumers served by the Grossmont and Miles properties.

The item of "Excess Estimate Capital Expenditures, January 1, 1915 to June 30, 1915" was included in the total compensation of \$745,000.00 at the total sum of \$33,741.00. The actual expenditure subsequently reported to the Railroad Commission by the Cuyamaca Company for this period was the sum of \$31,418.00, consisting of \$29,733.00 alleged to have been expended on used and useful property and \$1,685.00 expended on non-operative property. The testimony herein shows that the sum of \$29,733.00 improperly includes under the head of capital expenditures an item of \$2,294.00 for interest and casualty insurance and an item of \$2,682.00 for water rights. Subtracting these items from the sum of \$29,733.00 leaves a net addition to capital account for used and useful property during said period amounting to \$24,757.00, to which sum should be added 10 per cent for overhead expenses, making a net addition to capital account during this period for operative property amounting to \$27,233.00. This sum is \$6,508.00 less than the amount which was included in the compensation of \$745,000.00, and said sum of \$6,508.00 must now be deducted from said compensation.

The sum of \$745,000.00 hereinbefore referred to, was found by the Railroad Commission to be the just compensation to be paid for the property of the Cuyamaca Company described by the La Mesa District and by the City of San Diego in their respective petitions. The property thus described, included, - with the exception of 601 acres of land at Cuyamaca Lake and certain other property, - the Cuyamaca Company's entire system.

In determining the proper rate base in this proceeding, careful consideration must be given to the fact that, as shown by the testimony herein, the Cuyamaca Company's transmission system is largely overbuilt in so far as the present demands upon the system are concerned. The testimony herein shows that the Cuyamaca Company's flume line has a present capacity of 32 cubic feet per second, or approximately 21,000,000 gallons per day. The testimony also shows that the highest average daily use on the flume line was in the month of May, 1916, during which month the flow was an average daily flow of 12.58 cubic feet per second, of which amount six cubic feet per second represented water which was being transmitted for sale to the City of San Diego and 6.58 cubic feet, water which was being transmitted for general use.

The excess capacity of the Cuyamaca Company's transmission system was commented upon by the Railroad Commission in its said Decision No. 2531, made on June 26, 1915, in said Application No. 1432 (Vol. 7, Opinions and orders of the Railroad Commission of California, pp. 334, 380). In this connection we may say that of said compensation of \$745,000.00, approximately two-thirds may be taken as representing the Cuyamaca Company's transmission system, as distinguished from its production and distribution systems.

That existing customers of a water utility cannot fairly be called upon to pay a return on construction unreasonably in excess

of present requirements is clearly established by the authorities.

(San Diego Land and Town Company vs. Jasper, 189 U. S. 438.

Accordingly, it would be proper in this proceeding to make the necessary deduction by reason of excess capacity of the transmission system, from the sum which otherwise would be used as a rate base, with a corresponding reduction in the depreciation, annuity, and to establish the rates on such reduced base. However, this procedure has not been followed herein, because of other considerations which we shall hereinafter specify and which have resulted in the establishment of a considerably increased rate base in this proceeding.

From the very beginning, the customers under this system have urged that it would not be fair to increase their rates unless they were assured of a greater permanency of water supply. The consumers have drawn attention to the fact that during recent years they have suffered great damage to their crops by reason of the fact that there has been an insufficient supply of water under this system. The deficiency in supply has been caused largely by inadequate storage facilities, aggravated by a recurrence of years of drought. The Railroad Commission has consistently been of the opinion that the consumers were correct in their contention in this respect. Accordingly, in the decision rendered in Application No. 118, authorizing an increase in the rates to be charged by the Cuyamaca Company, the Railroad Commission not merely provided that a satisfactory flume should be constructed in lieu of the existing flume, but also provided further that the Cuyamaca Company should take immediate steps to increase the available supply of water so that the same should be increased over the existing supply at least $33\frac{1}{3}$ per cent. After referring to the necessity for thus increasing the available supply of water, the Railroad Commission provided that if these

applicants do not within a reasonable time in the opinion of the Commission begin the construction of other facilities than the ones specifically ordered herein, this matter being held open for decision and for the further submission of evidence, will again be considered by this Commission after due notice to the applicants and the parties hereto as required by law."

While the Cuyamaca Company has lined its flume so as to reduce the leakage therein from between 30 to 35 per cent to approximately 3 per cent and has raised the height of the flume, installed additional siphons and done other work to make the existing transmission system more effective, the Cuyamaca Company has not increased its storage facilities. The consumers in this proceeding insist that the Cuyamaca Company, as a condition precedent to any further increase in rates, should now be compelled to increase its storage facilities by undertaking definite construction work to be now specified by the Railroad Commission.

The representatives of the Cuyamaca Company testified herein that they have prepared plans and specifications for increasing the height of the La Mesa Dam so as to store water to a depth of 100 to 120 feet. Mr. Ed. Fletcher testified that the present capacity of La Mesa Reservoir is 451,000,000 gallons, that by increasing the height of La Mesa Dam to store 100 feet of water, the capacity of La Mesa Reservoir will be increased to approximately 4,000,000,000 gallons and that by increasing the height of La Mesa Dam to store 120 feet of water, the capacity of La Mesa Reservoir will be increased to between 6 and 7,000,000,000 gallons. Mr. Fletcher testified that the suggested improvements at La Mesa Reservoir will cost approximately \$150,000.00 if the height of the dam is increased to store 100 feet of water and between \$225,000.00 and \$250,000.00 if the height of the dam is increased to store 120 feet of water.

He further testified that if additional storage facilities are developed anywhere under this system, the first work to be done would be to increase the height of La Mesa Dam.

On the testimony in this proceeding it appears that the suggested increase in the height of La Mesa Dam is feasible and that the work ought to be done.

In establishing rates, the Railroad Commission generally takes into consideration such additions to capital account as may reasonably be anticipated during the next year.

In the present proceeding, the rate base will be established on the assumption that La Mesa Dam will be increased in height to store 100 feet of water. The necessary additional allowances will be made herein under the head of capital account and also under the head of depreciation annuity and maintenance and operating expenses in connection not merely with the construction work on the dam itself but also the distribution system necessary to take care of the increased amount of water which the Cuyamaca Company will be able to sell when this construction work has been completed. The rates herein established will thus be based on the assumption that the Cuyamaca Company will substantially increase its storage capacity and thus give its consumers the increased security for which they have been contending.

By reason of the much larger supply of water which will be available to the Cuyamaca Company if the capacity of La Mesa Reservoir is thus increased, the company will be able to secure a much larger gross revenue from the sale of water than has hitherto been the case. While this fact will result in giving to the consumers under the Cuyamaca Company's system a considerably lower rate than would be the case if the rates in this proceeding were based on the present property less excessive installation and on the present limited use, the increase in storage capacity of the

La Mesa Reservoir is an improvement to which the consumers are justly entitled as well as one which will materially strengthen the position of the Cuyamaca Company.

Accordingly, in establishing the rate base herein, an additional allowance of \$150,000.00 will be made on the assumption that the height of La Mesa Dam will be increased during the next year so that it will store 100 feet of water.

4. DEPRECIATION ANNUITY.

The depreciation annuity in this proceeding will be estimated on the sinking fund basis on such depreciable property as is now used and useful in the service of water to the Cuyamaca Company's consumers together with said additional investment of \$150,000.00.

On the five per cent sinking fund basis, the depreciation annuity would be the sum of \$20,035.00.

On the six per cent sinking fund basis, being the rate herein used, the depreciation annuity would be the sum of \$17,999.00.

5. MAINTENANCE AND OPERATING EXPENSES.

Table II shows, by accounts, the maintenance and operating expenses shown on the books of the Cuyamaca Company for the year 1915, the estimate of reasonable maintenance and operating expenses prepared by the Railroad Commission's engineers and the estimate of reasonable maintenance and operating expenses prepared by the Cuyamaca Company's engineers.

TABLE NO. II

MAINTENANCE AND OPERATING EXPENSES - CUYAMAQA WATER COMPANY.

Account Numbers	Item	Actual Records 1915	Estimates	
			Railroad Commission's Engineers	Cuyamaqa Company's Engineers
E 2-6-7-9	<u>Pumping Expense</u>			
10-18	Pumping Cost proper	1,656	\$4,770	\$11,666
E 8-17	Purification expense	272	750	750
	<u>Distribution Expense</u>			
E 19	Reservoir Tenders	436	1,320	1,320
E 20	Meter Repairs and Supply	693	500	700
E 23	Repair Transmission Mains	7,737	8,320	13,525
E 24	" Reservoirs	1,702	800	1,030
E 25	" Distr. Mains	5,049	5,000	6,000
E 27	" Services	1,409	700	1,420
E 29-30	" Bldgs. & Equip.	100	200	
	<u>Commercial Expense</u>			
E 31	Collections-Meter Reading	441	500	360
E 32	Promotion of Business	38		
	<u>General Expense</u>			
E 33	Salaries Gen'l Officers	10,394	6,500	12,300
E 34	" " Off. Clerks	2,485	2,600	2,600
E 35	Office Supplies & Expense	2,417	2,500	2,500
E 36	Legal Expense	156	1,000	1,000
E 37	Railroad Commission Ex.	17,813	2,000	2,500
E 42	Insurance-Injuries and damages	652	800	2,650
E 43	Repair Gen'l Structures	448	350	450
E 44	Upkeep Gen'l Equipment	1,818	1,760	
	Auto and Stable Ex.			1,600
	Gen'l Engineering		1,200	1,800
	Extraordinary		2,500	1,000
	Other Gen'l Expense	1,635		
E 50	<u>Taxes</u>	2,601	2,600	2,800
		59,951	46,670	67,971
	Less \$2000 General as Overhead or construction etc.	2,000	2,000	2,000
		57,951	44,670	65,971
	Less Railroad Comm. Ex.	17,813	2,000	2,500
	Net Result	\$40,138	\$42,670	\$63,471

The expenditures under the head of "Actual Records" for the year of 1915, as shown in Table II, include a number of abnormally high expenditures. Reference in this respect may be made particularly to the items for Railroad Commission expense and salaries of general officers.

The estimate of reasonable maintenance and operating expenses prepared by the Railroad Commission's engineers include an item of \$2500.00 for "extraordinary expense." This item will suffice to amortize, over a period of years, the flood damage caused by the floods of January, 1916.

The estimate of reasonable maintenance and operating expenses prepared by the engineers of the Cuyamaca Company include a number of items which are clearly too high, including particularly the estimate for pumping expense and for salaries of general officers. The estimate of \$13,525.00 for repairs to transmission mains includes expenditure which in part should be charged to depreciation annuity.

Taking the estimate of the Railroad Commission's engineers as a basis, and adding thereto an allowance of \$1330.00 for an additional bookkeeper and \$2000.00 for the additional maintenance and operating expenses which would be incurred in connection with the impounding, distribution and sale of the additional water which is to be impounded in the La Mesa Reservoir, we find a total reasonable maintenance and operating expense of \$48,000.00 per annum, on the assumption that the Cuyamaca Company sells the additional water which is to be impounded in the La Mesa Reservoir.

6. CAPACITY OF SYSTEM - PRESENT AND PROSPECTIVE.

In said Decision No. 536, in said Application No. 118, the Railroad Commission found that the safe yield of the system was 256 miner's inches at the intake of the Cuyamaca Company's flume.

Subsequent to said Decision No. 536, the Cuyamaca Company has lined its flume throughout with roofing material, reducing the leakage as hereinbefore indicated, from between 30 and 35 per cent to approximately 3 per cent in the flume. Additional side boards have been placed on the flume and a second siphon installed under Sand Creek. A new flume has also been constructed from the main flume up the canyon of the South Fork of the San Diego River, tapping that stream.

Mr. C. H. Lee, a hydraulic engineer appearing in behalf of the Cuyamaca Company, testified as the result of an exhaustive study, that with its present storage and carrying capacity, the Cuyamaca Company's system may be depended upon to deliver 320 nine-months miner's inches. In addition, Mr. Lee estimated that an average of 556 nine-months miner's inches, being equivalent to 169,000,000 cubic feet or 1,260,000,000 gallons, is available for delivery during the flood season. By increasing the height of La Mesa Dam, additional flood waters can be stored and thereafter sold for domestic and irrigation service.

In the order in said Decision No. 536, in said Application No. 118, it was provided, in part, "that no additional consumers be added to this system except domestic consumers under the terms hereinbefore in this opinion and order set out." This

Order was based on the net safe yield of the Cuyamaca Company's system in March, 1913. The improvements which have subsequently been made by the Cuyamaca Company now make it possible to authorize the Cuyamaca Company to sell additional water for irrigation purposes. The testimony herein shows that consumers of the Cuyamaca Company in Lemon Grove and elsewhere desire to secure additional water for their existing orchards and that other persons desire to bring new lands under cultivation if they can secure water from the Cuyamaca Company.

Mr. Ed Fletcher, one of the owners of the Cuyamaca Company, testified that, in his opinion, it will now be possible for the Cuyamaca Company, without increasing the height of La Mesa Dam, to sell in the ordinary course of business, between 25 and 50 additional miner's inches of water for irrigation. We are satisfied, from the testimony herein, that the Cuyamaca Company may now take on additional irrigation service to the extent of approximately 40 miner's inches. This water, if applied to land now unirrigated, on the basis of the application of one foot depth of water, would irrigate approximately 450 additional acres planted to such crops as prevail in this territory.

From the evidence in the record herein, it would appear that when the height of La Mesa Dam has been increased so as to store 100 feet of water, an additional amount of water amounting to 2090 acre feet or 91,440,400 cubic feet will be available for annual delivery to consumers in excess of the use in 1915 by consumers other than the City of San Diego.

7. RATES HEREIN ESTABLISHED.

This subject will be considered under the following sub-heads:

- (a) Gross revenue required.
- (b) Use by City of San Diego.
- (c) Group consumers.
- (d) Form of rate.
- (e) Just and reasonable rates.

(a) Gross Revenue Required.

Table III shows the gross revenue which would be required by the Cuyamaca Company on the assumption that the height of the La Mesa Dam will be increased to store 100 feet of water.

Table III.

GROSS REVENUE REQUIRED BY CUYAMACA WATER COMPANY ON
ASSUMPTION OF INCREASE IN HEIGHT OF LA MESA
DAM TO STORE 100 FEET OF WATER.

Interest - 8 per cent on \$858,676.00	\$ 68,694.08
Depreciation Annuity	17,999.00
Maintenance and Operating Expenses	<u>48,000.00</u>
Total - - - - -	\$ 134,693.08

Table IV shows the gross revenue derived by the Cuyamaca Water Company during the years 1914 and 1915 and the first six months of 1916:

Table IV.

GROSS REVENUE - CUYAMACA WATER COMPANY - 1914, 1915
AND FIRST SIX MONTHS OF 1916

<u>1914.</u>		
Commercial Earnings (Metered)	\$20,178.17	
Earnings from Irrigation	15,475.08	
Sales to City of San Diego	16,046.24	
Miscellaneous Earnings	<u>599.70</u>	
Total Revenue		\$52,299.19
 <u>1915.</u>		
Commercial Earnings (Metered)	\$20,323.09	
Earnings from Irrigation	25,178.78	
Sales to City of San Diego	34,884.64	
Miscellaneous Earnings	<u>1,369.47</u>	
Total Revenue		\$81,755.98
 <u>First Six Months - 1916.</u>		
Commercial Earnings (Metered)	\$10,154.44	
Earnings from Irrigation	12,739.52	
Sales to City of San Diego	51,054.14	
Miscellaneous Earnings	<u>381.46</u>	
Total Revenue		\$74,329.56

The amount of water available for sale by the Cuyamaca Company during 1914, 1915 and 1916 and the revenue possible to be derived therefrom were, of course, far less than will be the case when the height of La Mesa Dam has been increased and the storage capacity of La Mesa Reservoir augmented.

(b) Use by City of San Diego.

The water sold by the Cuyamaca Company to the City of San Diego in 1914, 1915 and the first six months of 1916, was as follows:

1914	22,898,000 cubic feet
1915	50,077,000 cubic feet
1916, first 6 months . .	68,245,000 cubic feet

As appears from Table IV, the revenue derived by the Cuyamaca Company from the sale of water to the City of San Diego, was as follows:

1914	\$16,046.24
1915	34,884.64
1916, first 6 months . .	51,054.14

As is to be expected, the testimony in this proceeding does not show definitely how much water the City of San Diego will hereafter purchase from the Cuyamaca Company. That a considerable amount of water will be thus bought, at least for a number of years, seems probable. The water heretofore sold to the City by the Cuyamaca Company has been surplus water. We are of the opinion that the price to be paid for such water, if the City of San Diego hereafter continues to purchase the same, should be left, in the first instance, to negotiations between the parties, who may file with the Commission such rate as they may agree upon. It may be said in this connection that it is almost impossible to establish with exact scientific accuracy the

rate to be paid for a surplus product such as the surplus water of the San Diego River.

Certain evidence was presented herein by the Cuyamaca Company with reference to the cost to the City of San Diego of delivering water from its system at the gates of the City. The evidence thus presented is thoroughly inaccurate, unsatisfactory and misleading and does not warrant detailed consideration herein.

(c) Group Consumers.

A considerable portion of its water is sold by Cuyamaca Company to various groups of consumers under arrangements differing widely in character. In Exhibit No. 71 of Cuyamaca Company, these group consumers are listed as follows:

Granada Tract.
Fairmount Water Company.
Hilton Pipe Line.
Cholass Mutual Water Company.
DeWitt Tract.
Fruitvale Tract.
Helix Mutual Water Company.
Johnson Pipe Line.
La Mesa Mutual Water Company.
Lemon Grove Mutual Water Company.
Magruder Tract.
Marlett Tract.
Orchard Tract.
Outlook Terrace Tract.
Petaluma Tract.
Waverly Tract.
Wheeler Tract.
Wentworth Flume.
Hoover Pipe Line.
Lakeside Flume.
Hawley Pipe Line.
Hillsdale Flume.
Cresson Flume.
City of El Cajon.
Orchard Villa Tract.

Table V contains data with reference to group consumers of the Cuyamaca Company for the year 1915, as reported in Exhibit No. 71 of the Cuyamaca Water Company.

Table V

GROUP CONSUMERS - CUYAMACA WATER COMPANY - 1915

Tract or Association	No. of Irrig. Consumers	No. of Domes. Consumers	Irrigation Use in 1,000 gals.	Cost per 1,000 gals.	Domestic Use in 1,000 gallons	Cost per 1,000 gals.	Total use in 1,000 gallons	Cost per 1,000 gals.	Cost to reproduce pipe system.
Granada Tract	26	6	3,452.5	.028	372.9	.150	3,825.4	.040	\$ 850
Fairmount W. Co.	-	325	-	-	23,631.0	.141	23,631.0	.141	19,523
Hilton Pipe Line	11	-	11,767.4	.029	-	-	11,767.4	.029	2,150
Chollas Mut. W. Co.	20	7	8,099.9	.036	693.7	.140	8,793.6	.045	2,800
Dewitt Tract	2	-	622.2	.120	-	-	622.2	.120	100
Fruitvale Tract	6	1	1,801.8	.033	69.2	.176	1,871.0	.039	380
Helix Mut. W. Co.	17	3	109,229.5	.018	1,583.5	.173	110,813.0	.020	8,500
Johnson Pipe Line	3	-	5,922.6	.048	-	-	5,922.6	.048	1,320
La Mesa Mut. W. Co.	3	83	2,961.1	.036	20,598.5	.150	23,559.6	.136	10,000
Lemon Grove Mut. W. Co.	88	85	161,690.2	.021	4,770.3	.202	166,460.5	.027	24,408
Magruder Tract	4	2	803.3	.037	103.4	.174	906.7	.053	500
Marlett Tract	7	11	1,769.2	.043	406.6	.185	2,175.8	.069	850
Orchard Tract	4	15	1,744.2	.021	512.6	.224	2,256.8	.067	825
Outlook Terrace Tract	4	18	817.6	.044	1,440.2	.150	2,257.8	.112	1,200
Petaluma Tract	2	6	367.1	.020	339.4	.162	706.5	.088	300
Waverly Tract	3	3	#	#	#	#	999.1	.045	220
Wheeler Tract	1	7	#	#	#	#	828.4	.075	275
Wentworth Flume	2	-	0.0	-	0.0	-	0.0	-	150
Hocver Pipe Line	9	-	29,629.8	.019	-	-	29,629.8	.019	2,000
Lakeside Flume	7	-	62,890.7	.021	-	-	62,890.7	.021	4,500
Hawley Pipe Line	30	-	164,087.1	.018	-	-	164,087.1	.018	5,076
Hillsdale Flume	6	-	32,979.9	.019	-	-	32,979.9	.019	3,000
Cresson Flume	8	-	38,031.5	.018	-	-	38,031.5	.018	2,700
Totals	263	572	638,667.6	.020	54,521.3	.152	695,016.4	.031	\$ 91,627

- Segregation between domestic and irrigation use in 1915 was not correct. Totals only can be depended upon.

Service to these various group consumers is rendered under many different conditions and diverse rules and regulations. In some instances, the water is delivered and sold at the Cuyamaca Company's flume or pipe line according to the quantity there indicated by meter or otherwise. In other instances, the water is sold according to measurements shown by meter at the premises of the consumer. In some cases the Cuyamaca Company maintains the distributing system from its flume or pipe line to the premises of the consumer, while in other cases such distributing systems are maintained by the consumers either through mutual organization or otherwise. In some instances, the Cuyamaca Company reads the meters on the premises of the consumers, while in other instances the company is not permitted to do so and the meter is read by some agent of the consumers, selected by them. In some instances, the consumers are dealt with individually and in other instances, through an agent. In some instances, water used by these groups of consumers primarily for domestic purposes is sold at irrigation rates and in other instances water used by them primarily for irrigation purposes is sold at domestic rates.

The testimony also shows that in quite a number of instances, resulting from the attachment of a water right for a small amount of water to land which was thereafter subdivided and sold, each parcel sold securing its proportion of the original water right, quite a number of consumers of the Cuyamaca Company are receiving their water at indefensibly low rates. Exhibit No. 76 of the Cuyamaca Company shows the cases in which so-called irrigation consumers are securing their water for 75 cents or less per month. These consumers use water for household purposes and for irrigation of gardens. In a number of these instances the rates paid run as low as 25, 30 and 40 cents per

month. Exhibit No. 76 shows that 64 so-called irrigation consumers of the Cuyamaca Company received their water for 75 cents per month or less.

All in all, the relationship between the Cuyamaca Company and its various group consumers presents the most complicated and one of the most unsatisfactory conditions which has come to our attention in connection with the administration of any water system in this State.

It is essential that order should be brought out of this chaos and that, in so far as possible, uniform and non-discriminatory rates, rules and regulations should be enforced.

In our opinion, the difficulties in connection with the present group consumers should be solved by providing that the relationship between the Cuyamaca Company and the consumers should, in each instance, be one or the other of the following two relationships:

1. In the first group of cases, the group consumers would pay for the water received by them, at the block rate herein established, the water to be measured at the Cuyamaca Company's transmission line, the group consumers to distribute the water among themselves and to maintain and repair their distributing system.

2. In the second group of cases, the Cuyamaca Company would deal directly with each member of the group, delivering the water at his premises and collecting directly from him, in accordance with the amount of water sold to him, at the block rates herein established. In this group of cases, the Cuyamaca Company would itself maintain and repair the distributing system. In cases of this class in which the Cuyamaca Company does not now own the distributing system, the Cuyamaca Company would either acquire the present distributing system or construct its own dis-

tributing system to reach the existing consumers.

In cases of the second group, in which the Cuyamaca Company deals directly with each consumer, there would be little or no difficulty in applying the block rate herein established. If the consumer is a large user and is engaged in commercial irrigation, he will, of course, receive the irrigation rate for water sold in excess of 2,000 cubic feet per month.

If a particular group prefers to remain in the first group hereinbefore referred to, paying for its water through its agent, by measurement at the Cuyamaca Company's transmission system, the amount to be paid by the group monthly to the Cuyamaca Company will likewise be easy of determination except in those cases in which the monthly use exceeds 2,000 cubic feet and in which there is some question as to whether the use is or is not primarily an irrigation use. The matter becomes important by reason of the fact that the rate herein established is of a two-fold character in so far as use in excess of 2,000 cubic feet per month is concerned, one rate being applicable to general use and the other to irrigation use.

In order to remove possible causes for friction, we would say, that as now advised, and until the further order of the Railroad Commission, the group users hereinbefore specified, if they prefer to remain in the first group, and to deal with the Cuyamaca Company through an agent, will be regarded as entitled to the irrigation rate for water used in excess of 2,000 cubic feet per month, with the exception of the following groups, whose use is entirely or almost entirely of a domestic character,

Fairmount Water Company.
La Mesa Mutual Water Company.
Granada Tract.
Marlett Tract.
Outlook Terrace Tract.
Petaluma Tract.
Waverly Tract.
Wheeler Tract.
City of El Cajon.
Orchard Villa Tract.

The testimony shows that a number of members of the groups just stated are using their water clearly for irrigation purposes. We refer particularly to the testimony showing that three consumers who secure their water from La Mesa Mutual Water Company and at least one who secures it from Outlook Terrace Tract, are commercial irrigation consumers. In cases of this kind, if the group deals with the Cuyamaca Company in accordance with the first group of cases, it may be necessary to make some special arrangement, possibly consisting in the direct connection between the property of these consumers and the Cuyamaca Company's system.

(d) Form of Rate.

As hereinbefore indicated, considerable difficulty has arisen in the application of the Cuyamaca Company's present rates by reason of the attempt to make a distinction between water used by small consumers for so-called "Domestic" service and so-called "irrigation" service. The difficulties and discriminations which have resulted from this attempt must be herein-removed.

After giving careful consideration to the matter, we have reached the conclusion that the just, reasonable and effective way to handle this problem would be to establish a block rate, applicable alike to all consumers under the same conditions. This block rate will provide a uniform rate for general use, with a separate rate for irrigation use in excess of 2,000 cubic feet per month.

Minimum monthly payments will also be provided for and rates will be established for public use.

(e) Just and Reasonable Rates.

Table VI shows water delivered by the Cuyamaca Company in 1915 segregated into classes of service and blocks of use.

Table VI.

WATER DELIVERY - CUYAMACA WATER COMPANY - SEGREGATED
INTO CLASSES OF SERVICE AND BLOCKS OF USE
BY 100 FOOT UNITS - 1915.

	<u>Used Between Indicated Limits</u>						Total
	Consumer 0-4 Months	4-10	10-50	50-1000	1000-5000	Above 5000	
<u>DOMESTIC AND GENERAL</u>							
Company direct service	7508	21612	11852	6242	3270		42976
System groups	98	392	558	5608	22267	4215	31040
Fairmont Water Co.	12	48	72	480	10505	20552	31457
La Mesa Mutual Water Co.	12	48	72	480	9358	21534	31492
El Cajon	5	20	30	200	822		1072
San Diego	6	24	36	240	5700	24000	40767
Totals -	7636	22144	12620	11250	51722	70301	47077
<u>DOMESTIC AND IRRIGATION</u>							
				<u>10-20 above 20</u>			
Company direct service	1722	5702	7791	13430	485130		512053
System groups	158	631	918	1410	832017		834976
Totals -	1880	6333	8709	14840	1317147		1347029
Grand Totals -	9615	28477	21329	26090		1909937	1985833

After careful consideration of the entire evidence herein and of all the elements which may and should be considered in determining a rate, we find as a fact that the rates shown in Table VII, which rates will be set forth in the order herein, are just and reasonable rates to be charged by the Cuyamaca Company for water sold to its customers:

Table VII.

RATES TO BE CHARGED BY CUYAMACA WATER COMPANY
FOR WATER SOLD TO ITS CUSTOMERS.

Minimum Payments for each Service Connection in Use:

Inside diameter, 3/4 inch and less	\$1.00	per month		
" " 1 "	1.25	" "		
" " 1 1/2 "	1.75	" "		
" " 2 "	3.25	" "		
" " 3 and larger	4.00	" "		

General Use:

Between 0 and 1000 cu. ft.....	\$.25	per 100 cu.ft.	per mo.		
" 1000 and 5000 "15	" "	" "	" "	
" 5000 and 100000 "12	" "	" "	" "	
Above 100000 cu. ft.08	" "	" "	" "	

Irrigation Use:

Above 2000 cu. ft.02 1/2	" "	" "	" "	
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Public Use:

Fire service, per hydrant per month	2.00				
Street sprinkling and sewer flushing12	" "	" "	" "	
Other public use through separate services at general rates, one minimum for each service.					

Table VIII shows the results of the application of the rates herein established upon water sold in the year 1915, except for public use, and with the application of only the lowest minimum meter charge.

Table VIII.

APPLICATION OF RATES HEREIN ESTABLISHED TO WATER
SOLD BY CUYAMACA WATER COMPANY IN 1915.

<u>GENERAL USE</u>	<u>Consumer Months</u>	<u>Water Used</u>	<u>Rate</u>	<u>Income</u>
Minimum	9510		Minimum \$1.00	\$9510
0 - 4 C.cu.ft.		28453	Under Minimum	
4 - 10 " "		21293	25¢ per C.Cu.ft.	5323
10 - 50 " "		25850	15¢ " " "	3877
50 - 1000 " "		46022	12¢ " " "	5523
1000-5000 " "		46301	8¢ " " "	3704
				\$27937
<u>IRRIGATION USE:</u>				
Above 20 C.cu.ft.		1317147	2½¢ per C.cu.ft.	32929
				32929
				\$60866
<u>SAN DIEGO USE:</u>				
Below 5000	6	30000	\$442.50 Per Mo.	2655
Above 5000		470767	.08 C. Cu.ft.	38661
				<u>41316</u>
Total as of 1915 -----				\$ 102182

The total gross revenue of \$102,182.00 resulting from the application of the rates herein established to the actual business of 1915, makes no allowance for the increase in revenue which will result to the Cuyamaca Company by direct service to consumers on the group distribution mains. The application of the proposed schedule of rates to all the group systems with the exception of those of the La Mesa Mutual Water Company, Chollas Mutual Water Company, Helix Mutual Water Company and Lemon Grove Mutual Water Company, under conditions of direct service to each individual consumer, would result in additional returns of approximately \$4400.00 annually.

We have already drawn attention to the fact that when the La Mesa Dam has been increased so as to store 100 feet of water, an additional amount of water amounting to 2090 acre feet or 91,440,400 cubic feet will be available for annual delivery to consumers in excess of the use in 1915 by consumers other than the city of San Diego.

Assuming that the additional supply available from the increase in capacity of La Mesa Reservoir will be used for irrigation on 10 acre tracts and that a year's use of water on each such tract will be sufficient to cover land one foot deep, a use of 435,600 cubic feet, there will be derived from such additional water supply, under the rates herein established, an additional gross income of \$36,554.00. If this water had been available and sold in 1915, the total gross revenue from one year's business, based on the rates herein established, would have been \$138,736.00.

The rates herein established we find to be just and reasonable rates to be charged by the Cuyamaca Company to its various consumers, irrespective of the amount of water hereafter sold by the Cuyamaca Company to the City of San Diego.

For many years, the Cuyamaca Company's main source of revenue was the sale of water in the City of San Diego. Until the City of

San Diego purchased the local water distributing system and turned from the Cuyamaca Company to the so called Spreckels system for its water, the Cuyamaca Company derived the larger part of its revenue from the sale of water in San Diego. Without the City of San Diego as a prospective customer, the construction of this system would not have been justified and probably would not have been undertaken. The loss by the Cuyamaca Company of this customer at the time the City of San Diego began to take water from the Spreckels system was not the fault of the other consumers of the Cuyamaca Company, nor can the possible failure of the Cuyamaca Company hereafter to sell large quantities of water to the City of San Diego be a justification for charging to the company's other customers rates in excess of the just and reasonable rates herein established.

As hereinbefore appears, if the rates herein established had been in effect in 1915, the revenue derived by the Cuyamaca Company from the sale of water to the City of San Diego would have been \$41,316.00. From the testimony herein, it is reasonable to anticipate an average revenue in approximately this amount from the sale of water to the City of San Diego over a number of years to come. We want to make it perfectly clear, however, that if the City of San Diego does not purchase water from the Cuyamaca Company to that extent, such failure will not be a sufficient reason for increasing the rates of the other customers of the Cuyamaca Company, as herein established. In that event, the loss must be borne by the Cuyamaca Company just as would be the case if any other business constructed primarily to serve a single large customer should thereafter lose that customer. In such a contingency, it would be incumbent on the Cuyamaca Company to find other customers for its surplus water.

8. RULES AND REGULATIONS.

The Cuyamaca Company will be required to modify its rules and regulations to meet the changed conditions resulting from the application of the rates herein prescribed.

One of the most important provisions which should be inserted in such revised rules and regulations will refer to the sale of the additional water herein referred to. The rules or regulations should provide, in this regard, that first choice should be given, during a reasonable period of time, to existing consumers of the Cuyamaca Company for use on lands now under irrigation. After the reasonable requirements of these consumers have been met, water should be sold to other parties, under some equitable rule with reference to priority of application, and in such amounts only as are actually needed at the time. The privilege of acquiring additional water from the Cuyamaca Company will not be permitted to be used as the basis for speculation in the sale of lands not now entitled to water.

We submit the following form of order:

O R D E R.

JAMES A. MURRAY and ED FLETCHER having filed their petition in the above entitled proceeding, as set forth in the opinion which precedes this order, and a public hearing having been held thereon and this proceeding having been submitted and being now ready for decision.

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the rates charged for water by said James A. Murray and Ed Fletcher, doing business under the firm name and style of Cuyamaca Water Company, 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.

Basing its order on the foregoing findings of fact and on the findings of fact which are contained in the opinion which precedes this order,

IT IS HEREBY ORDERED AS FOLLOWS:

1. James A. Murray and Ed Fletcher, doing business under the firm name and style of Cuyamaca Water Company, are hereby authorized to charge and collect the following rates for water, said rates to be effective on and after March 1, 1917:

Minimum Payments for Each Service Connection in Use:

Inside diameter, $\frac{3}{4}$ inch and less.....	\$1.00	per month		
" " 1 "	1.25	"	"	
" " $1\frac{1}{2}$ "	1.75	"	"	
" " 2 "	3.25	"	"	
" " 3 " and larger	4.00	"	"	

General Use:

Between 0 and 1000 cu.ft.....	\$.25	per 100 cu.ft.	per month	
" 1000 and 5000 "15	"	"	"
" 5000 and 100000 "12	"	"	"
Above 100000 cubic feet.....	.08	"	"	"

Irrigation Use:

Above 2000 cubic feet.....	.02 $\frac{1}{2}$	"	"	"
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Public Use:

Fire service, per hydrant per month... \$2.00

Street sprinkling and sewer flushing.. .12 " " " "

Other public use through separate services at general rates, one minimum for each service.

2. On or before February 15, 1917, said Cuyamaca Water Company shall file with the Railroad Commission revised

rules and regulations in accordance with the opinion which precedes this order.

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 25th day of January 1917.

Max Thelen

H. D. Loveland

Alex Gordon

Edwin O. Edgerton

Frank R. Devlin

Commissioners.

(A TRUE COPY)
()
(Signed) H. G. MATHEWSON)
()
(Assistant secretary)
(Railroad Commission)
(State of California)

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of JAMES A. MURRAY and ED FLETCHER for an order fixing the rates to be charged and collected for water furnished and to be furnished by them and service rendered by them in furnishing water and in furnishing, carrying and conveying water in the County of San Diego, State of California.

COPY

Application No. 1231.

BY THE COMMISSION.

ORDER EXTENDING EFFECTIVE DATE.

James A. Murray and Ed Fletcher, Petitioners herein, having filed their petition for rehearing,

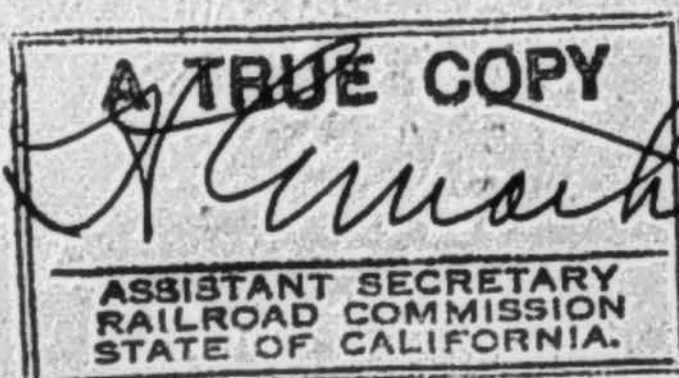
IT IS HEREBY ORDERED that the effective date of the order of January 25, 1917, in the above entitled proceeding be and the same is hereby extended from March 1, 1917, to April 1, 1917.

IT IS FURTHER ORDERED that the time within which said James A. Murray and Ed Fletcher shall file with the Railroad Commission revised rules and regulations is hereby extended to April 1, 1917.

Dated at San Francisco, California, this 17th day of February, 1917.

MAX THELEN
H. D. LOVELAND
EDWIN O. EDGERTON
FRANK R. DEVLIN

Commissioners.



[1915]

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of James A. Murray and Ed. Fletcher for an order fixing rates to be charged and collected for water furnished and to be furnished by them and service rendered by them in furnishing water and in furnishing, carrying and conveying water in the county of San Diego, State of California.

DECISION NO. 2525
APPLICATION NO. 1231.

PETITION FOR REHEARING.

Applicants in the above entitled matter respectfully petition The Honorable the Railroad Commission of the State of California that the opinion and order in the above entitled matter be set aside and that a rehearing of said matter be granted in order that substantial justice may be done to applicants.

In support of said petition it is respectfully submitted that reasons set forth in the opinion for taking no action on the above application at this time and deferring the same until November 15, 1915, are insufficient to justify such action and that such postponement works a grievous injury to applicants in that they are compelled to continue to furnish water at rates which testimony introduced at the hearing conclusively showed to be inadequate and insufficient to pay even maintenance and operating expenses to say nothing of yielding to applicants any return upon the fair value of the property devoted by them to the service of the public.

The first reason set out in the opinion for deferring action upon this application is that under the contract between the Cuyamaca Company and the La Mesa, Lemon Grove and Spring Valley Irrigation District a transfer of the property should "be consummated within a few months", We admit that there is a pos-

sibility of such a transfer being consummated, but the learned Commissioner writing the opinion seems to have overlooked entirely the fact that the City of San Diego is also desirous of acquiring this property and has asked this Commission to place a value on the property of these applicants, upon which the City may institute condemnation proceedings in the courts. This the Commission has done in Decision No. 2527 and the City as soon as the decision becomes final is in a position to institute such condemnation proceedings. Should the City take this step, and it has expressed its intention so to do, instead of a sale being consummated within a few months there may be years of litigation before it is finally determined whether the City or the District is to acquire the property of these applicants. Again, even should the City not institute condemnation proceedings, experience shows that transactions of this magnitude are not usually closed in a short time and, we submit, it is probable that some considerable time may elapse before the sale to the District, even should such sale finally be made, is consummated and in the meantime these applicants are not receiving the rates which we believe they are justly entitled to. To postpone the determination of this application until after November 15th means that applicants must lose the benefit of any increase in rates during the entire irrigating season of the current year. This, should applicants be so fortunate as to be adjudged entitled to increased rates, would mean a very serious loss. Taking into consideration the fact that ever since the decision on Application No. 118 these applicants have been steadily losing money it seems hardly fair that such pecuniary loss should be still further increased because of a prospective sale of the property.

The opinion quotes certain provisions of the order made in Application No. 188 relative to a new conduit being constructed and points out that this has not been done but that in-

stead have lined the existing flume with rubberoid roofing and then says: "The Cuyamaca Company has been charging the increased rates set forth in the Commission's order in said Application No. 118, although the Company has not begun the construction of a flume in lieu of the one now used."

This language and the implication thereby conveyed that these applicants have not obeyed the orders of this Commission, is, we respectfully submit, grossly unfair and unjust to these applicants. These applicants certainly understood that the use of this rubberoid roofing instead of the construction of a new conduit was entirely satisfactory to the Commission. At page 287 of the transcript Col. Fletcher testifies: "Coming down to the flume, in 1913 I believe, with the consent of the State Railroad Commission in advance, we lined the flume with rubberoid roofing." Applicants have considerable correspondence with the Commission which seems to bear out Col. Fletcher's testimony and in Decision No. 1186 (3 Cal. R. R. Com. 1240) Mr. Commissioner Loveland says, referring to Application No. 118: "The decision was afterwards modified somewhat as to the form of the flume, and still later as to the repairs to the old flume, but these matters require no further reference at this time." It is evident, we submit, that the Commission itself recognized that the order in Application No. 118 with reference to the rebuilding of the flume had been modified by allowing repairs to the existing flume, and certainly these applicants so understood it. If they are collecting the increased rates under the decision in Application No. 118 without having rebuilt the flume it would certainly seem that they are doing so with the consent of the Railroad Commission and not as would seem to be implied from the language above quoted from the opinion in this case, in defiance of such orders. Applicants have at all times endeavored to follow out to the letter every order or every suggestion of the Commission and it

hardly seems fair that in a decision of this Commission to be published to the world they should be impliedly, at least, put in the wrong and impliedly criticized for not obeying an order when that order has been modified by subsequent orders of the Commission.

In the opinion in this matter it is stated that notwithstanding the claim of the Cuyamaca Company that it has increased its available supply of water so as to comply with the Commission's order in Application No. 118 the fact remains that neither in 1913 nor in 1914 was the Company able to supply the full amount of water required by its consumers and that in view of these facts it would seem advisable to wait until the present irrigation season has elapsed so that it can be determined whether the claims of the Company will work out in practice. The statement that neither in 1913 nor in 1914 was a full supply of water furnished is undoubtedly correct, but as to the failure to furnish such full supply in 1914 it appears from the evidence that as to by far the greater part of the time in 1914 when a full supply was not furnished, such failure was due^{not} to a shortage of water but to the necessity of shutting off the flume supply in order that repairs to the flume might be made. It was during this year that the flume was lined with rubberoid roofing and it appears that owing to the fact that tar had to be applied to this lining it was necessary to do the work in dry weather. These temporary shut downs for necessary repairs are inevitable incidents of water systems such as the system of applicants and it hardly seems fair to penalize the system on that account. The evidence showed that by reason of this lining the loss of leakage in the flume has been cut down from 25 per cent to 2.12 per cent. (Trans. pp 135, 136 & 137). Certainly such a result shows conclusively that the repairs and improvements made were not only

necessary but also effective. This lining of the flume was not completed until late in the year 1914 and consequently it is not fair to judge the effectiveness of the system and its ability to furnish a full supply to its consumers by conditions existing in the past when the loss, by leakage was 25 per cent. as contrasted with a loss of only 2.12 per cent. under present existing conditions. It appeared from the testimony of Mr. Post (Trans. p. 1816) that there was on April 16, 1915 over a years supply of gravity water on hand and that this year would be a full service year. Actual conditions since that date have more than substantiated the evidence of Mr. Post and he is of record in an affidavit attached to and made a part of the petition for rehearing in Application No. 1432 that with a normal rainfall next season the company has a two year full supply on hand. In addition to this gravity water the El Monte pumping plant is now in full working condition and the present pumps as shown by Cuyamaca Water Company's Exhibit No. 43 can produce and supply 260 miner's inches during a period of 100 days continuous pumping, 200 miners inches during a period of 300 days and 196 miners inches during a period of 600 days. It would, we submit, seem clear that, except for some unforeseen accident, the Company is certainly in a position to furnish and will furnish a full supply of water to all its consumers during the present irrigating season and that therefore the necessity of deferring a decision on rates on this ground is not apparent.

The fact that the Cuyamaca Company is selling water to the City of San Diego and that the revenue derived from this source and the extent to which this source of revenue may be looked to in the future are problematical, are assigned as reasons for deferring a decision in this matter. We may say in answer to this that the agreement under which flood waters were sold

to the City expired some time ago and the selling of such waters thereupon ceased. The exact revenue derived from this source is available and is or will be shown in the reports furnished the Commission. As to what revenue may be expected from this source in the future, we respectfully submit, that this matter will be just exactly as problematical on and after November 15, 1915 as it is today. The Company at present has after November 15, 1915 as it is today. The Company at present has no agreement for any future sales of flood waters to the City and there seems to be no prospect of any such agreement being made so that on this score we will be in no better shape after November 15th to make an estimate as to future revenue from this source than we are today.

It is stated in the opinion in reply to the contention of the company that it has been unable since it acquired the system to earn maintenance and operation expenses, that the sale price established in the Decision on Applications No. 1432 and No. 1482 "is more than large enough to return to the applicants herein all the money which they have invested in the property, beginning with the initial purchase price on June 1, 1910, together with interest on all these moneys at the rate of 8% per annum to June 30, 1915, together with such deficits as have accrued over reasonable maintenance and operating expenses with interest on such deficits from the time they have accrued until June 30, 1915. According the applicants will be entirely re-imbursed for their maintenance and their losses in the past." We regret that we are unable to agree with the learned Commissioner writing the opinion as to the sufficiency of the sale price so fixed. In both Applications No. 1432 and No. 1482 these applicants have filed petitions for a rehearing. These petitions set out fully

and particularly wherein, in our judgment, the sale price so fixed is utterly insufficient and wherein it does not compensate these applicants for their actual investment plus losses, to say nothing of yielding them a fair value for their property. It would be worse than idle to repeat these particulars here and as to the part of the opinion in this matter last above referred to, we merely desire to call the attention of the Commission to the petitions for a rehearing filed in said Applications Nos. 1432 and 1482.

In conclusion it is respectfully submitted that a postponement of the decision in this Application will work a great hardship upon these applicants and is not justified on any of the grounds set out in the opinion. That giving applicants leave to ask by supplemental petition after November 15, 1915 for a consideration of this matter will operate to deprive applicants of all benefit during the present irrigating season of the increase in rates which they honestly believe themselves entitled to, and will thereby only increase the extent of the pecuniary loss suffered by the applicants. A loss for which, from the tenor of the opinions rendered in the various proceedings now pending and affecting this property, there seems no possible chance of applicants ever recouping themselves. Under such conditions it hardly seems fair that this irretrievable loss should be further increased by deferring a decision in this rate matter until after the close of the present irrigating season.

It is respectfully submitted that the opinion and order heretofore entered in this matter should be set aside and a rehearing granted these applicants.

Respectfully submitted,

James A. Murray
Wm. G. Henshaw
Ed. Fletcher,
Petitioners.

Sweet, Stearns & Forward,
Attorneys for Petitioners.

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of James A. Murray and Ed Fletcher for an order fixing rates to be charged and collected for water furnished and to be furnished by them and service rendered by them in furnishing water, and in furnishing, carrying and conveying water in the County of San Diego, State of California.

Application No. 1231.

NOTICE OF FURTHER HEARING

To--

- James A. Murray, Monterey, California.
- Ed Fletcher, San Diego, California.
- Sweet, Stearns & Forward, Union Building, San Diego, California.
- D. G. Gordon, Bostonia, California.
- Haines & Haines, Timkin Building, San Diego, California.
- T. B. Cosgrove, City Attorney, San Diego, California.
- D. L. Wood, R.R.No. 1, Box 169-B, San Diego, California.
- F. G. Blood, Granger Building, San Diego, California.
- C. R. King, Adams and Works St., San Diego, California.
- Titus, Creed, Jones & Dall, Balboa Building, San Francisco, Cal.
- Andrews & Wright, Timken Building, San Diego, California.
- Board of Supervisors, San Diego Co., San Diego, California.

You and each of you are hereby notified that the Railroad Commission of the State of California has set a further hearing in the above entitled application before Commissioner Thelen for Friday, February 25, 1916, 10 o'clock a. m/, in the Federal Court Room, Postoffice Building, San Diego, California, at which time and place all interested parties may appear and be heard.

By order of the Railroad Commission.

Dated at San Francisco, California, this
13th day of January, 1916.

Charles R. Detmold

Secretary Railroad Commission
State of California.

D-

CUYAMACA WATER CO.
FILE No. 142
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142

For Mailing

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of James A. Murray and Ed Fletcher for an order fixing rates to be charged and collected for water furnished and to be furnished by them and service rendered by them in furnishing water, and in furnishing, carrying and conveying water in the County of San-Diego, State of California.

Application No. 1231.

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By order of the Railroad Commission.

Dated at San Francisco, California, this 13th day of January, 1916.

CHARLES R. DETRICK
Secretary Railroad Commission
State of California.

D-

CUYAMACA WATER CO.
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Ed Fletcher Papers

1870-1955

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**Business Records - Water Companies - Cuyamaca
Water Company - State Railroad Commission -
Application #1231, Decision #2525, re resetting rates**



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