

Decision No. 13734.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the Matter of the Application of the )  
                                  ) OLIVE INVESTMENT COMPANY )  
for order authorizing increase of water )  
rates. )

Application No. 9986.

K. V. Wolff for applicant.

BY THE COMMISSION:

O P I N I O N

Olive Investment Company, engaged in the business of supplying water for domestic purposes to consumers in and in the vicinity of Olive, Orange County, asks authority to increase its rates.

The application alleges that the installation of a new well, pumping plant and mains to provide additional and more adequate service, together with increased operating expenses, has resulted in an insufficient return on the investment. Applicant asks that the minimum charge for water consumed be increased to \$2.50 per month, allowing each consumer 1000 cubic feet of water, together with a rate of 10 cents per 100 cubic feet for all water in excess of 1000 cubic feet.

A hearing in this proceeding was held before Examiner Geary at Los Angeles, after all consumers had been duly notified

and given an opportunity to appear and be heard.

The rates at present in effect were established by this Commission in Decision No. 9723 in Application No. 6768, rendered November 7, 1921 (20 C.R.C. 805), and are as follows:

MONTHLY METER RATES

For use from	0 to	500	cubic feet,	per	100	cu.ft.	\$0.30
"	"	"	"	"	"	"	.25
All in excess of	1000	"	"	"	"	"	.15

MONTHLY MINIMUM RATES

For	5/8	inch	by	3/4	inch	meter	.....	\$1.50
For	3/4	inch	meter	.....	.....	.....	.....	1.75
For	1	"	"	.....	.....	.....	.....	2.00
For	1 1/2	"	"	.....	.....	.....	.....	2.50
For	2	"	"	.....	.....	.....	.....	3.00

This system was formerly owned and operated by the Olive Milling Company, and was subsequently acquired by the Olive Investment Company, the applicant in the present proceeding.

The testimony shows that applicant has installed a new well and pumping plant to prevent interruption of service caused by breakdown of the old pump. It was further shown that about 7000 feet of new mains had been installed and about 60 additional services connected to the system. The total cost of these installations amounts to \$9,900, which, together with the estimated cost of \$10,558 as found by the Commission in its Decision No. 9723, makes the total investment of \$20,458 in physical property.

Reference was made to the annual reports filed with this Commission for detail of the annual maintenance and operating expenses of the system. It was shown that no charge had been made for book-keeping, billing and collecting, as applicant operates the water system in connection with other interests and has not in the past made a charge against the water system for this service. It was proposed to charge \$25 per month for these items.

William Stava, one of the Commission's hydraulic engineers, presented a report which showed the estimated original cost of the system, including the additions and betterments installed by applicant, to be \$21,436, with a reasonable depreciation annuity computed by the 6% sinking fund method, of \$325. The operating expenses for 1923, including a charge of \$300 for bookkeeping, etc., and \$325 for depreciation, were \$1,800. The revenues for 1923 were \$2,613, the net revenue being \$812. This amount is equivalent to a return of 3.8 per cent. on \$21,436, the estimated cost of the system. The increase in the estimated cost of the system as found by Mr. Stava was due to the inclusion by him of certain items of capital expenditure that had been charged to maintenance and operation expense by applicant.

It was also shown that the system was built to serve a subdivided area that is at present sparsely settled, but that the system is capable of supplying the entire area when it is fully developed. For the reason that the system is overbuilt, it would be unfair at this time to burden the present consumers with a rate that would produce a full return on the total investment. However, a careful consideration of the evidence submitted indicates that applicant is entitled to some adjustment in rates, and the rates set out in the following order are designed to produce sufficient revenue to cover maintenance and operation expense, depreciation annuity, and a reasonable return on that portion of the investment which is properly chargeable to the present consumers.

#### O R D E R

Olive Investment Company having made application for authority to increase the rates for water delivered to consumers at Olive, Orange County, a public hearing having been held thereon,

the matter having been submitted, and the Commission being now fully informed in the matter,

It Is Hereby Found as a Fact that the rates now charged by Olive Investment Company for water delivered to consumers at Olive, Orange County, are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service.

And basing the order upon the foregoing findings of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Olive Investment Company be and the same is hereby directed to file with this Commission within twenty (20) days from the date of this order, the following schedule of rates for all water delivered to consumers in Olive, Orange County, subsequent to July 15, 1924:

MONTHLY METER RATES

From 0 to 400 cubic feet, per 100 cu.ft.	\$ .375
From 400 to 1000 " " " " "	.25
All over 1000 " " " " "	.20

MONTHLY MINIMUM RATES

For 5/8 inch meter . . . . .	\$1.50
For 3/4 " " . . . . .	2.50
For 1 " " . . . . .	4.00
For 1 1/2 " " . . . . .	8.00
For 2 " " . . . . .	12.00

Each of the foregoing monthly minimum charges will entitle the consumer to the quantity of water which that minimum will purchase at the "monthly meter rates" set out above.

IT IS HEREBY FURTHER ORDERED that Olive Investment Company be and the same is hereby directed to file with this Commission within thirty (30) days from the date of this order, rules

and regulations to govern relations with its consumers, such rules and regulations to become effective upon their acceptance by this Commission.

Dated at San Francisco, California, this 23<sup>rd</sup> day of June, 1924.

Chase

H. B. Brundage

Waring M. Austin

Commissioners.