

Decision No. 13837.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of the)
LA HABRA DOMESTIC WATER COMPANY,)
a corporation, for an order of the Rail-) Application No. 10107.
road Commission of the State of Califor-)
nia authorizing applicant to increase)
its rates and charges for water service.)

L. N. Morris, for applicant.
C. L. Crumrine, for La Habra Citrus Association.
John W. Smith, for La Habra Chamber of Commerce.

BY THE COMMISSION:

O P I N I O N

This is an application by the La Habra Domestic Water Company, a corporation, engaged in the business of supplying water for domestic and other purposes in and in the vicinity of the unincorporated town of La Habra, Orange County, for authority to increase its rates.

The application alleges that prior to July, 1923, applicant purchased its entire water supply from the La Habra Water Company, but in order to meet the increased demands of its consumers it became necessary to purchase lands and pumping plant and to install a reservoir at a total cost of \$32,000, thereby increasing the investment and the cost of the service to such an extent as to cause applicant to operate at a loss; that the principal cause for the operating deficit is the supplying of water to the Mexican Camp of the La Habra Citrus Association at a very low rate; and that the revenues derived from operating the system are not sufficient to

return to applicant maintenance and operating expenses, depreciation allowance, and a reasonable return upon the investment in properties devoted to the use of the public.

Hearings in this proceeding were held in La Habra before Examiner Williams, 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. 3017 in Application No. 1856, dated December 30, 1916, and are as follows:

\$1.50	per	month	for	the	first	500	cubic	feet	or	less.		
.20	per	100	cubic	feet	for	the	next	400	cu.	ft.	per	month.
.15	"	"	"	"	"	"	"	"	2000	"	"	"
.075	"	"	"	"	"	"	"	"	3000	"	"	"

The evidence shows that water was formerly purchased from the La Habra Water Company, a mutual concern, but owing to the difficulty of obtaining a continuous supply, and the increased demands of the consumers, it became necessary to purchase a tract of land upon which a fully developed well and pumping plant were installed. This well and the pumping equipment have a capacity of twenty miners' inches of water, continuous flow, and now constitute the principal source of supply.

The system consists of a twelve inch well 600 feet deep from which water is elevated by air lift to a concrete lined reservoir, and thereafter distributed through about 59,000 feet of mains varying from one inch to eight inches in diameter. There are about 700 consumers, all of whom are metered.

At the hearing L. N. Morris, a witness for applicant, testified that the actual investment in the system was \$89,292.49, of which \$13,722 has been advanced by consumers for extensions, and is subject to refunds, leaving \$75,750.49 upon which a return is expected. His testimony also showed that total revenues for 1923 were \$15,790.96, with the operating expenses, including \$2,682 for

depreciation, computed by the straight line method, amounting to \$12,267.23. The net revenue was therefore given as \$3,523.73, which is equivalent to a return of 4 per cent. on \$89,292. The witness also stated that due to the necessity for additional pumping there would be an increase of some \$1,200 per year in operating expenses, with a consequent reduction in the 4 per cent. rate of return. It was suggested that the following rates be established:

\$1.50	for the first 600 cubic feet, per month.	
From 600 to 1000 cubic feet, per 100 cu.ft.		\$0.25
" 1000 to 3000 "	" " " "	.20
Over 3000 "	" " " "	.15

William Stava, one of the Commission's hydraulic engineers, presented a report based upon an investigation of the utility's affairs, which showed the estimated cost of the system to be \$102,337, with a depreciation annuity of \$1,711, computed by the sinking fund method. He also estimated \$13,061 as a reasonable allowance for future maintenance and operation expenses, and that the revenues for 1924 would amount to \$16,000 from the rates at present in effect. This would result in a net revenue of \$2,939, which is equivalent to a return of 2.9 per cent. upon \$102,337, or a return of 3.9 per cent. upon \$75,750. The difference between Mr. Stava's estimate of original cost and the costs shown by applicant, was due to the inclusion in his report of property donated to the company and an allowance for general overhead.

It was shown by applicant that about \$2,000 of the 1923 revenue could not be expected in 1924, owing to the practical elimination of irrigation use and the termination of use of water by the State Highway Commission for construction purposes, together with deductions on account of various non-operative revenues which were inadvertently included in the figures. This would reduce Mr. Stava's estimate of 1924 revenue to \$14,000, and thereby reduce the

rate of return on \$75,750 to 1.2 per cent. It is therefore apparent that applicant is entitled to an increase in rates. However, at the hearing applicant stated that it was proposed to reduce operating expenses to an absolute minimum, and that by rearranging the operating force a material reduction could be effected. This proposed saving has been considered in establishing the rates set out in the following order, which are designed to yield applicant sufficient revenue to cover maintenance and operating expenses, depreciation annuity, and a reasonable return upon the investment in property devoted to public use.

At the hearing a representative of the La Habra Citrus Association, which is the largest user on the system, stated that the association was willing that the lowest rate in effect, namely, \$.075 per 100 cubic feet, be increased to 10 cents per 100 cubic feet, but if this rate were further increased the association would either install its own pumping plant and well, or require applicant to take over the distribution of water to the labor colony. An inspection of various rates on file with the Commission indicates that those established in the following order are not excessive for domestic purposes, although water furnished purely for irrigation uses and produced in larger quantities is being supplied on some water systems at a lower rate. As the service from this system is almost entirely of a domestic character, irrigation rates cannot reasonably be applied.

O R D E R

La Habra Domestic Water Company, a corporation, having made application for authority to increase the rates for water delivered to consumers at La Habra, 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 La Habra Domestic Water Company, a corporation, for water delivered to consumers at La Habra, 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.

Basing the order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that the La Habra Domestic Water Company, a corporation, be and it is hereby directed to file with this Commission, within twenty (20) days from the date of this order, the following schedule of rates to be charged for all water delivered to consumers in La Habra, Orange County, subsequent to August 15, 1924.

MEASURED RATES

Minimum Monthly Charges

5/8 inch meter	\$1.50
3/4 " "	2.50
1 " "	3.50
1 1/2 " "	8.00
2 " "	12.50

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 as follows:

Monthly Meter Rates

From 0 to 1000 cubic feet, per 100 cu.ft.. . .	\$0.25
" 1000 to 3000 " " " " "20
Over 3000 " " " " "12

IT IS HEREBY FURTHER ORDERED that La Habra Domestic Water Company be and it is hereby directed to file with this Commission within thirty (30) days of 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 the Commission.

The effective date of this order is hereby fixed as August 15, 1924.

Dated at San Francisco, California, this 23rd day of July, 1924.

Al Seaver

Iwing Martin

J. T. Whittney
Commissioners.