

Decision No. 14815.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of  
LAUREL CANYON LAND COMPANY and LAUREL  
CANYON WATER COMPANY, for order ap-  
proving transfer of property and es-  
tablishing rates of water service.

) Application No. 10025.  
)  
)

Fred Mansur and Joe Crail, for applicants.

Geo. L. Hampton, Geo. E. P. Shaw, Hazlett  
& Albee and C. E. Milliron, for C. E.  
Milliron and protestants.

BY THE COMMISSION:

O P I N I O N

In this application the Laurel Canyon Land Company, which owns and operates a small water system supplying consumers in Laurel Canyon, Los Angeles County, with water for domestic purposes, asks authority to transfer its system to the Laurel Canyon Water Company, a corporation, and also requests an adjustment of its present rate schedule. An amended application was filed in connection with this proceeding, asking for the establishment of a surcharge to cover the additional and extraordinary expenses incurred in purchasing and distributing the auxiliary water supply obtained from the City of Los Angeles.

Public hearings in this matter were held before Examiner Satterwhite at Los Angeles, after due notice thereof had been given so that all interested parties might appear and be heard.

At the hearing it was stipulated that the two formal complaints against this water system, Case No. 1937, George P. Wicker vs. Laurel Canyon Land Company, and Case No. 1938, C. H. Milliron vs. Laurel Canyon Land Company, be combined with this application for hearing, but not for decision.

This water system was installed primarily to aid in the sale of real estate by the Laurel Canyon Land Company. The water has been developed from wells and tunnels situated in various parts of Laurel Canyon, and is pumped directly into the distribution mains, the excess being stored in tanks, which are located at sufficient elevation to furnish adequate pressure over the territory served. At the present time there are only 100 consumers, all of whom are metered. The evidence indicates that the system is very largely overbuilt and still in the development stage.

The following rate schedule at present in effect was established by the Railroad Commission in its Decision No. 10072, dated February 8, 1922:

METER RATES

Monthly Minimum Charges

5/8 inch meter . . . . .	\$1.50
3/4 " " . . . . .	1.75
1 " " . . . . .	2.00
1 1/2 " " . . . . .	2.50
2 " " . . . . .	3.00
3 " " . . . . .	4.00

Monthly Meter Rates

From 0 to 400 cubic feet, per 100 cu.ft. . . . .	\$0.375
" 400 " 1000 " " " " " . . . . .	.30
" 1000 " 5000 " " " " " . . . . .	.25
All over 5000 " " " " " . . . . .	.20

MONTHLY FLAT RATES

Residence of 5 rooms or less, occupied by a single family . . . . .	\$1.25
For each bath tub . . . . .	.25
" " toilet . . . . .	.25
" " additional room . . . . .	.15
Sprinkling or irrigation of lawns, shrubbery, etc., per square yard actually irrigated . . . . .	.005

Meters may be installed at the option of either the consumer or the utility.

During the past several summer seasons the water supply has been entirely inadequate to meet the demands of the consumers. As a result of the Commission's investigations of the conditions existing on this system it was apparent that the canyon source had reached the extreme limits of its development as a dependable supply and that additional water must be obtained from some other source. Applicant by Decision No. 13098, dated February 1, 1924, was ordered to obtain such other source. Pursuant to a stipulation subsequently entered into between Laurel Canyon Land Company and certain of the consumers who agreed to advance \$3,300 toward the costs thereof, said company was directed by supplemental order of the Commission in Decision No. 13934, dated August 19, 1924, to proceed at once to obtain additional water from the mains of the City of Los Angeles, whose Bureau of Water Works and Supply had very considerably agreed to furnish sufficient water to meet the requirements of the consumers. However the money which certain of the consumers had agreed to advance was in fact never given and the company was compelled therefore to stand alone the entire financial burden of installing the necessary connections, pipe lines and pumping equipment in order to utilize the water purchased from the City of Los Angeles. This city water must be pumped through approximately 6000 feet of main and raised 325 feet in elevation before it becomes available for use by applicant's consumers. It is to cover this new and additional expense of pumping the city water, which was formerly unnecessary, that a surcharge has been asked through amended application filed by the company.

Estimates of the original cost of this water system were submitted by James E. Barker, engineer for applicant, F. C. Finkle, protestants' engineer, and F. E. Van Hoesen, one of the Commission's hydraulic engineers. A comparison of the most

essential elements of the reports submitted by these engineers, is set out below:

	<u>BARKER</u>	<u>FINKLE</u>	<u>VAN HOESEN</u>
	<u>New</u>	<u>Depreciated</u>	<u>New</u>
A. <u>Estimated Historical Cost</u>			
Land	\$25,000.00	- - - -	\$5,000.00
Other Property	<u>28,350.00</u>	<u>\$14,056.78*</u>	<u>19,852.00</u>
Total	\$53,350.00	\$14,056.78*	\$24,852.00
B. <u>Depreciation Annuity</u>	454.00	219.00	451.00
C. <u>Operating Expense</u>	4,782.00	not submitted	3,450.00

\* Estimated Historical Cost less Depreciation.

The capital figures set out above do not include the sum of \$5,887 (nor the depreciation annuity thereon), which amount is the cost incurred by applicant in connecting its system with the mains of the City of Los Angeles and the installation of the pumping equipment and facilities necessary in order to distribute the water thus obtained to the consumers. This annuity has been estimated by the Commission's engineer to be \$160. It appears that a total depreciation annuity of \$600 is reasonable.

In view of the fact that this system is considerably overbuilt and as applicant has stipulated that a full return upon the investment was not desired at this time, and for the further reasons appearing below, it will not be necessary, for the purposes of this proceeding, to discuss further the merits of the different valuations submitted or to fix the fair value of the property involved herein.

Applicant's estimate of \$4,782 for maintenance and operating expense includes \$100 per month as salary for Superintendent

and Manager, which, with 100 consumers entails a charge of one dollar per month for each water user for these services alone. This amount appears excessive and is more than a system of this size can reasonably pay. Analysis of the operation costs shows that Mr. Van Hoosen's estimate of \$3,450 does not include any allowance for the additional costs of purchasing and pumping water from the Los Angeles city mains, which according to the evidence will very closely approximate \$730 per year. A careful consideration of the estimates submitted indicates that the sum of \$4,200 is a reasonable allowance for the maintenance and operation expenses of this system for the immediate future.

The revenues received from the sales of water for 1924 were \$3,639. It is apparent that applicant's present schedule of rates does not produce sufficient revenues to provide the bare costs of operating, with no provision for depreciation, and that applicant must be given some relief if it is to continue to operate.

There has already been duly formed and authorized by vote of the people an improvement district which includes the entire territory served by applicant, and which, among other things, provides for the extension of the municipal water system to all of the consumers involved herein within a period of not to exceed six months. In all probability the time will be much less. Obviously this means that the present water system will cease to function as such at that time. It is apparent that the scattered location of the houses and the hilly character of the locality with its attendant service difficulties, together with the restrictions imposed by a limited and inadequate supply of gravity and well water, have from the very outset rendered the profitable operation of this water system an economic impossibility.

In view of the limited time in which this utility will

continue to serve the public prior to the installation of the municipal water system, it is believed that the company is entitled to and should have a return by way of revenues which will at least cover the actual and reasonable costs of maintenance and operation which the schedule of rates set out in the following order is designed to produce.

The granting of the transfer of the water utility properties of the Laurel Canyon Land Company to the Laurel Canyon Water Company is opposed by certain consumers on the ground that such transfer would jeopardize their rights, for the reason that the water company would have no resources or assets other than the water system. The Laurel Canyon Water Company has agreed to issue \$49,970. of stock in payment for the water properties, the fair value of which applicants allege in their Exhibit "C" to be \$55,850. However, this allegation is not supported by the evidence. The record in this proceeding does not enable the Commission to properly determine the fair present value of the properties which the Laurel Canyon Land Company asks permission to transfer to the Laurel Canyon Water Company, therefore the request for permission to transfer such properties will be denied without prejudice.

#### O R D E R

Laurel Canyon Land Company, a corporation, having made application for authority to increase the rates charged for water service delivered to its consumers, and to transfer its properties to the Laurel Canyon Water Company, a corporation, a public

hearing having been held thereon, the matter having been submitted, and the Commission being now fully informed thereon,

It Is Hereby Found as a Fact that the rates now charged by Laurel Canyon Land Company, a corporation, for water delivered to consumers in Laurel Canyon, Los Angeles 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 findings of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Laurel Canyon Land Company, a corporation, be and it is hereby authorized and 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 its consumers on or after May 1, 1925:

METER RATES

Monthly Meter Rates

First 400 cubic feet or less. . . . .	\$1.75
From 400 to 1500 cubic feet, per 100 cu.ft..	.40
" 1500 " 5000 " " " "	.35
Above 5000 " " " "	.30

Minimum Monthly Charges

5/8 inch meter. . . . .	\$1.75
3/4 " " . . . . .	2.25
1 " " . . . . .	3.00
1 1/2 " " . . . . .	6.00
2 " " . . . . .	9.00
3 " " . . . . .	18.00

IT IS HEREBY FURTHER ORDERED that the request of Laurel Canyon Land Company, a corporation, for authority to transfer its water system to Laurel Canyon Water Company, a corporation, be and the same is hereby denied, without prejudice.

