

Decision No. 14949.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the  
SOUTHGATE GARDENS WATER COMPANY,  
a corporation, for an increase of water  
rates.

ORIGINAL

Application No. 10637.

Wm. H. Neblett, by Arthur R. Smiley of Flint  
and MacKay, for applicant.

Brewton A. Hayne, for City of Southgate.

BY THE COMMISSION:

O P I N I O N

In this proceeding Southgate Gardens Water Company, a corporation engaged in the business of supplying water for irrigation and domestic purposes in and in the vicinity of the City of Southgate, Los Angeles County, asks for authority to increase its water rates.

The application alleges that the rates in effect produced a gross revenue of only \$20,460.05 for the twelve months ending November 1, 1924, whereas the total annual charges, including a return upon the investment, for the same period approximate \$34,000. The Commission is asked to establish a rate that will terminate the losses suffered by applicant, and place its revenues upon a proper basis.

A public hearing in this proceeding was held in Los

Angeles before Examiner Williams, after all interested parties had been duly notified and given an opportunity to appear and be heard.

The rates now in effect were established by the Commission September 24, 1923, in Decision No. 12653, and are as follows:

MONTHLY METER RATES

700 cubic feet or less . . . . .	\$1.25
From 700 to 3000 cubic feet, per 100 cu.ft. . . . .	.15
Over 3000 " " " " " " . . . . .	.12

MONTHLY MINIMUM CHARGES

5/8 inch meter . . . . .	\$1.25
3/4 " " . . . . .	1.50
1 " " . . . . .	1.75
1 1/2 " " . . . . .	2.25
2 " " . . . . .	4.00
3 " " . . . . .	8.00
4 " " . . . . .	12.00

As stated in the former decision, this water system was installed for the purpose of furnishing water to a subdivision known as Southgate Gardens. Water mains were installed to serve each of the 2800 lots into which the area was originally divided. Certain of these lots are now being further divided by the present owners.

The water system consists of three pumping plants and wells, a 50,000 gallon tank located upon a 53-foot tower, and about 166,000 lineal feet of pipe varying in size from two to ten inches in diameter. The present demands of the system require the operation of only two of the pumping plants, the third one being non-operative. The company's records show that on November 1, 1924, there were 1083 service connections installed, of which 1055 were active and metered.

At the hearing reports were presented by Edward M. Lynch, City Engineer of Southgate, C. I. Rhodes, Consulting

Engineer for applicant, and by William Stava, one of the Commission's engineers. Lynch's report was prepared in connection with a contemplated purchase of this system by the City and was based upon the reproduction cost of part of the property, the depreciated value being declared to be \$93,914. In arriving at this result a large portion of the distribution system and certain other property was entirely depreciated upon the assumption that immediate replacement will be necessary if acquired by the City. The Rhodes report gave the estimated original cost of the system as \$205,370, and the depreciation annuity \$3,552, computed by the six per cent. sinking fund method. In the report of Stava the estimated original cost was found to be \$199,118, with the corresponding depreciation annuity \$4,068. The maintenance and operating expenses for the immediate future were estimated by both the Commission's engineer and the engineer for applicant to closely approximate \$14,445. The corresponding expenses for the year 1923 were \$11,160, and for the twelve months' period ending November 1, 1924, \$12,832. The increase in expenses which occurred in 1924 is attributable principally to the costs of changing, lowering and replacing mains, services and meters entailed by reason of the extensive paving program being carried out by the City and may be expected to continue until the City's paving plans have been completed. A consideration of the estimates of the future maintenance and operation expenses presented shows that they are reasonable and proper for the purposes of this proceeding.

The revenues of the company for the year ending November 1, 1924, were \$20,460, which upon the basis of the foregoing figures shows a net operating revenue of \$3,560 for 1924, with an estimated net revenue for 1925 of \$5,805. This reflects a return upon the estimated investment for those years of 1.8% and 2.8% respectively.

The evidence shows that the present system is very largely overbuilt, in that it was installed to serve the entire subdivided area, which at present is only partially built up and not fully developed. For this reason the consumers could not fairly be charged with the total investment in the water system. It was further shown that the return earned under the present rate very closely approximated a reasonable return on the portion of the investment chargeable against the consumers when based on the number of consumers served as compared to the number of lots the installation was designed to serve. The rates in effect on this system are in general somewhat lower than rates on similarly located and operated utilities, but the difference is not sufficient to warrant any radical change in the present form of rates.

The rates established in the following order compare favorably with the rates of similar utilities, and will yield sufficient revenue to cover maintenance and operating expenses, depreciation annuity, and a reasonable return on that portion of the investment which is properly chargeable to the present consumers.

A large number of consumers appeared at the hearing and testified that the water delivered by applicant was unusually hard and required washing compounds to soften it; that it had an undesirable taste and an offensive odor that made it necessary for the consumers to purchase bottled water for drinking and cooking purposes; and that these additional requirements materially increased their water bills.

An industrial analysis of a sample of water from this system was prepared and presented at the hearing for the consumers by G. L. Cheney of Smith-Emery Company, chemists, which showed that the water contained twice the amount of solids in solu-

tion and was harder than the average water used for domestic purposes in Southern California. The report further stated that while the water could be used for domestic purposes it was not recommended for such uses. An industrial analysis of samples of water taken from wells adjoining Southgate was also presented, which showed a softer water. It was contended therefore that if applicant's wells were lowered they probably would tap the same water strata. However the evidence shows that applicant's wells are of about the same depth as the wells from which the samples of the softer water were taken.

R. F. Goudey, Southern Division Engineer for the State Board of Health in Los Angeles, testified that his office has received no complaints from Southgate regarding the water; that mineralized water was not unhealthful; that odor had no direct relation to the purity of water and was not considered a menace to health. He further testified that a bacteriological examination was made of a sample of water taken from the system on May 7, 1923, which showed that the water was uncontaminated and safe from a sanitary standpoint at the time the sample was taken.

From a study of the analysis of the water it is doubtful if the odor complained of is due to the water itself, but is very likely caused by chemical action of the salts in the water acting on the material in which the pipe was dipped, for no complaints were made as to odor or taste from services located near the wells or on mains from which water is freely used. The complaints of this nature arise in areas that are not thickly settled and where the water is permitted to become more or less stagnant. This would indicate that the difficulties are mainly attributable to poor circulation. This condition can be remedied by the installation of necessary valves at points which will permit a thorough and complete flushing of the entire

system, especially throughout the thinly settled districts.

Representatives of the City of Southgate contended that the cost of the water system had been included in the sale prices of the various lots in the subdivision and the system therefore was in fact actually owned by the consumers, who could not be properly charged again for a return on the investment made in the water system by applicant. This contention was based on the statements and various circulars issued by sales agents to the effect that all improvements are included in the price of a lot, and on the fact that the Southgate Gardens Water Company was organized and its stock is owned by the Southern Extension Company which subdivided the Southgate area. However, the evidence shows that the improvements referred to in the circulars apply to streets, curbs, sidewalks, etc., and that the service of gas, electricity and water as set out in said circulars is as follows: "Gas and electricity and an ample supply of water will be furnished to each lot at the prevailing Los Angeles rates, or at such rates as shall be fixed by the Railroad Commission of California". No evidence was presented that would warrant the conclusion that the consumers had advanced the cost of the water system or that they now owned any part of it.

#### O R D E R

Southgate Gardens Water Company, a corporation, having made application for authority to increase the rates for water delivered to consumers at Southgate, Los Angeles 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 Southgate Gardens Water Company, a corporation, for water

delivered to consumers at Southgate, 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 Southgate Gardens 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 for all water delivered to consumers in Southgate, Los Angeles County, on and after the first day of June, 1925:

MONTHLY METER RATES

500 cubic feet or less . . . . .	\$1.25
From 500 to 3000 cubic feet, per 100 cu.ft.. . .	.20
Over 3000 " " " " " . . . . .	.12

MONTHLY MINIMUM CHARGES

5/8 inch meter . . . . .	\$1.25
3/4 " " . . . . .	1.50
1 " " . . . . .	1.75
1 1/2 " " . . . . .	2.25
2 " " . . . . .	4.00
3 " " . . . . .	8.00
4 " " . . . . .	12.00

Each of the foregoing "monthly minimum charges" will entitle the consumers to the quantity of water which that minimum monthly charge will purchase at the "monthly meter rates".

IT IS HEREBY FURTHER ORDERED that Southgate Gardens Water Company, a corporation, be and it is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order, rules and regulations governing the distribution of water to consumers, said rules to become effective

upon their approval by this Commission.

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

Dated at San Francisco, California, this 21st day of May, 1925.

H. P. ...  
O. ...  
E. ...

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Commissioners.