

Decision No. 15876.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
A. B. CHAPMAN ESTATE,  
a corporation, for an order author-  
izing increase of rates.

ORIGINAL

Application No. 11590

Ward Chapman and L. M. Chapman, by L. M.  
Chapman, for applicant.

H. W. Painter, in propria persona.

BY THE COMMISSION:

O P I N I O N

A. B. Chapman Estate, a corporation, applicant in the above entitled proceeding, owns and operates a public utility water system which supplies water for domestic and irrigation purposes to the inhabitants of a tract of land in Los Angeles County lying between the cities of Pasadena and Arcadia, and between the Foothill Boulevard on the north and Duarte Road on the south. The applicant alleges in effect that the present rate of  $4\frac{1}{2}$  cents per hundred cubic feet for both domestic and irrigation service is insufficient to yield an adequate or fair return, and that the water system is being operated at a loss. The Commission is therefore asked to grant an increased schedule of rates.

A public hearing in this matter was held before Examiner Williams at Los Angeles, after due notice thereof had been given so that all interested parties might appear and be heard.

The evidence shows that the A. B. Chapman Estate was incorporated in March, 1916, for the purpose of acquiring and holding the title of the heirs to the property of the estate of A. B. Chapman, deceased; that the greater portion of this property was a ranch of about 650 acres on which a water supply had been developed and an irrigation system installed; that thereafter the property was partially subdivided into lots and small tracts, and the system was extended to supply water for domestic purposes to the subdivided area, containing about 450 acres, and now serves about 300 consumers. The water is obtained from wells located at convenient points throughout the original tract, and is pumped into storage tanks from which it is distributed by gravity. There are at present 300 consumers receiving domestic service on this system.

The rates at present in effect were accepted by the Railroad Commission in May, 1924, and are as follows:

6 cents per 1000 gallons, or  
 $4\frac{1}{2}$  cents per 100 cubic feet,  
 for both irrigation and domestic service.

The entire system is metered, and applicant asks that the following rates be established for both domestic and irrigation purposes:

MONTHLY MINIMUM

5/8 x 3/4" meter . . . . .	\$1.50
1" " . . . . .	2.00
1 1/2" " . . . . .	3.00
2" " . . . . .	5.00
3" " . . . . .	15.00

QUANTITY RATES

0 to 500 cubic feet, per 100 cu.ft. . . . .	\$0.30
500 to 1500 " " " " " . . . . .	.25
1500 to 3000 " " " " " . . . . .	.20
3000 to 10000 " " " " " . . . . .	.15
10000 to 50000 " " " " " . . . . .	.10
Over 50000 " " " " " . . . . .	.07 1/2

A statement was submitted with the application and marked Exhibit "B" which showed among other things that the capital invested

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as of June 30, 1925, was \$120,646.22. However, a report was submitted at the hearing which was prepared by the Utility Engineering Company, setting forth the estimated cost of the properties to be \$160,113 as of October 1, 1925, with a replacement annuity of \$3,318 computed by the 6% sinking fund method. This report also estimated the reasonable annual operating expenses to be \$14,875 and the annual operating revenue to be \$12,584.15.

A report was also presented by F. E. Van Hoesen, one of the Commission's hydraulic engineers, in which the estimated original cost of the operative properties of the system as of October 1, 1925, was found to be \$135,101, exclusive of land values, and a depreciation annuity of \$2,872 and \$2,442, computed by the sinking fund method at 5% and 6% respectively. This report shows the operating and maintenance expenses for the period of nine months ending October 1, 1925, to be \$8,555.25, and estimates the annual operating expenses for the immediate future to very closely approximate \$12,600. The operating revenues for the above nine months' period amounted to \$10,561, and in the report it was estimated to be \$13,161 for the full year.

The testimony indicated that the value of the operative lands set forth by applicant, amounting to \$14,750, is reasonable, and it will be used for the purposes of this proceeding. The addition of this amount to the estimated original cost of the remainder of the system submitted by Mr. Van Hoesen, results in a total value of \$149,851.

It appears that the territory served by this utility is now undergoing a period of transition between agricultural service and domestic use, a situation which is very trying for a water utility. In fairness to the present consumers such conditions make it unreasonable for a utility to receive a full return upon its investment, which in this case is shown by the testimony to be

between \$150,000 and \$160,000.

The estimate of maintenance and operating expense submitted by the applicant's engineers is somewhat greater than the estimate of the Commission's engineer. The difference lies principally in the charges made for supervision. It is apparent that the overhead expense for the operation of this system as estimated by applicant's engineers is greater than the conditions and size of the plant warrant. A careful consideration of the evidence leads to the conclusion that the sum of \$12,600 is a reasonable amount to allow for this item.

The revenues from the present rates are not sufficient to cover the estimated maintenance and operation charges and depreciation annuity. It is apparent that an adjustment of rates is necessary to produce additional revenue to provide for the above charges. The schedule of rates established in the following order is designed to produce maintenance and operating expense, a depreciation annuity, and also provide a reasonable return on that portion of the investment which is properly chargeable against the present consumers.

#### O R D E R

A. B. Chapman Estate, a corporation, having made application to this Commission as entitled above, a public hearing having been held thereon, and the matter having been submitted,

It is Hereby Found as a Fact that the rates charged by the A. B. Chapman Estate for water supplied to its consumers 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 to be charged for the service rendered.

Basing its order on the foregoing finding of fact and on the further statements of fact contained in the opinion which

precedes this order,

IT IS HEREBY ORDERED that the A. B. Chapman Estate 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 water delivered to its public utility consumers subsequent to January 31, 1926:

MONTHLY METER RATES

From 0 to 600 cubic feet, per 100 cu.ft..	\$.25
From 600 to 3000 " " " " "	.20
From 3000 to 5000 " " " " "	.15
From 5000 to 25000 " " " " "	.10
All over 25000 " " " " "	.07

MINIMUM MONTHLY CHARGES

5/8 inch meter	\$1.50
3/4 " "	2.00
1 " "	3.00
1 1/2 " "	5.00
2 " "	8.00
3 " "	15.00

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

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 19<sup>th</sup> day of January, 1926.

H. B. Brundage  
C. S. ...  
George D. ...  
Frank ...

Commissioners.