

Decision No. 16,253.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
BELL WATER COMPANY
for an order authorizing an increase
in water rates.

ORIGINAL

Application No. 11238.

A. B. Shaub, and Hulme, Hastings and Bartlett,
by J. N. Hastings, for applicant.

F. E. Goodway and certain other consumers,
protestants.

BY THE COMMISSION:

O P I N I O N

This is an application of Bell Water Company, a corporation, for authority to increase rates for water service in and in the vicinity of Bell, Los Angeles County. The applicant alleges in effect that the present authorized rate schedule does not return sufficient revenues to meet operating expenses, depreciation allowance and a return on its investment; that the expenses of the company have been materially increased on account of improvements made to the system and that it will be necessary in the near future to begin an extensive program of construction to meet the increasing service requirements of the community served.

Public hearings in this proceeding were held in Los Angeles and Bell before Examiner Williams after all interested parties had been duly notified and given an opportunity to appear and be heard.

The schedule of rates now in effect was fixed by this Commission in Decision No. 14469, rendered January 17, 1925, in Application No. 10503, and is as follows:

METER RATES FOR DOMESTIC, COMMERCIAL AND
IRRIGATION CONSUMERS

MINIMUM MONTHLY CHARGES

5/8 inch meter	.....	\$1.00
3/4 " "	.....	1.50
1 " "	.....	2.00
1 1/2 " "	.....	4.00
2 " "	.....	6.00
3 " "	.....	12.00
4 " "	.....	18.00
6 " "	.....	35.00

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

MONTHLY METER RATES

From 0 to 500 cubic feet, per 100 cu.ft..	\$0.20
From 500 to 2000 " " " "	.15
2000 cubic feet and above, " " "	.10

FLAT RATE IRRIGATION USE PER HOUR

Full flow of Pump No.2, one hour or less . . .	\$3.50
All in excess of one hour, per hour or fraction thereof	3.50

FIRE HYDRANT RENTALS

Per hydrant per month.	\$1.50
--------------------------------	--------

This company has appeared before the Commission for rate increases in several other proceedings. A detailed history and summarization of these proceedings will be found in Decision No. 14469 in Application No. 10503 (25 C.R.C., 858), to which decision reference is hereby made.

The water supply for this system is obtained by pumping from deep wells into a tank approximately 90 feet in height, from

which it is delivered by gravity to approximately 1250 consumers. Last year the company installed a new steel tank and tower at a higher elevation than the old tank, and thereupon discovered that the existing pumping equipment was not designed to pump against the increased head. However, the equipment was continued in operation and resulted in a higher operating expense than could normally have been expected if the pumping plant had been designed for the most economical operation under the new conditions. From the testimony it appears that for a very nominal sum the applicant could lower the pumps and install a booster unit, which would effect a more efficient operation of the system. We are of the opinion that a public utility should install and maintain its equipment in such a manner that the money expended for operation would reflect economical production. While this condition of low operating efficiency possibly may not be permanent, nevertheless it should be borne in mind that this Commission will not allow the consumers of any public utility to be charged for the extra costs of operation entailed by the use of improperly designed and installed apparatus or equipment.

Applicant presented a report in which the fixed capital as of September 30, 1925, was given as \$134,418. This amount does not include any sum for materials and supplies and cash on hand. The gross operating expenses, not including depreciation for the period January 1, 1925, to September 30, 1925, inclusive, were given as \$7,421.42. The operating revenue for the same period totalled \$17,801.45.

M. I. Reed, one of the Commission's engineers, submitted a report which showed the net capital installed as of September 30, 1925, to be \$134,012, with a corresponding depreciation annuity of \$3,008 computed by the sinking fund method at 5%. The report also set out the maintenance and operating expenses, exclusive of

depreciation, for the year ending September 30, 1925, as \$13,980, and the operating revenues for the same period as \$22,170.

From the evidence it appears that a rate base of \$134,000 may reasonably be adopted for the purposes of this proceeding, and that the sum of \$13,500 is a reasonable allowance for the operating expenses for the immediate future, making due allowance for the present operating methods employed by applicant. The annual revenues under the existing rates have been estimated to be approximately \$24,000, which would reflect a net return of approximately 5.6% upon a rate base of \$134,000. It appears from the above figures that the rate schedule of this company should be slightly readjusted.

A considerable amount of dissatisfaction was expressed by many of the consumers with the existing rate structure as applied to the collection of a minimum monthly charge from each consumer where water is furnished to more than one consumer through the same metered service connection. This method is the outgrowth of the general practice among utilities operating under flat rates, especially where the building conditions in the early stages of development were such that several houses or buildings were located upon the same lot under a single ownership and supplied by the same service pipe. Generally on such systems the rates were designed to produce a certain revenue by requiring each family, house or business to pay a monthly minimum charge, a method which obviously under average conditions, even on a fully metered system, will produce more revenue than though a single minimum only is charged. The rate structure of this utility was based upon the above method of charging what is generally called multiple minimum payments. To change this type of rate structure on a fully metered system to a rate based upon a single minimum payment for each metered connection necessarily requires some increase in the quantity rates

to produce the same revenues. In this instance the difference is not great, and in view of the many complaints and difficulties which have arisen from the multiple minimum charges on this system, and in view of the fact that with a single minimum charge under metered service a utility receives full payment for all water delivered, it appears advisable at this time to eliminate the present multiple minimum charges and to make proper provision in the rate schedule to provide the necessary additional revenue. It should of course be understood that in cases affected by this change some one of the consumers or the owner of the premises must assume the responsibility for full payment of the entire bill. Certain other cases may require the installation by the company of separate service pipes. Some misunderstandings may possibly develop at the outset in thus altering an established practice but with the exercise of reasonable judgment the change should not be difficult. By reason of its fairness and equitable character with respect to both consumer and utility, the elimination of the multiple minimum charges should be most welcome and will without doubt not only improve public relations but will at the same time remove the cause of most of the controversies which in the past have arisen between this utility and many of its consumers.

O R D E R

Bell Water Company, a corporation, having made application for authority to increase its rates for water delivered to consumers in and in the vicinity of Bell, Los Angeles County, public hearings 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 Bell Water Company, a corporation, for water delivered to consumers in and in the vicinity of Bell, 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 the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Bell 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 and in the vicinity of Bell, Los Angeles County, on and after the first day of April, 1926.

MONTHLY METER RATES

From 0 to 500 cubic feet, per 100 cu.ft.	\$0.25
From 500 to 2000 " " " " " " . . . . .	.17
From 2000 to 5000 " " " " " " . . . . .	.12
For all water used over 5000 cubic feet, per 100 cu.ft. . . . .	.10

MONTHLY MINIMUM CHARGES

5/8 x 3/4 inch meter	\$1.25
3/4 inch meter	1.50
1 " "	2.00
1 1/2 " "	4.00
2 " "	6.00
3 " "	12.00
4 " "	18.00
6 " "	35.00

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

FLAT RATE IRRIGATION USE PER HOUR

Full flow of Pump No. 2, one hour or less.	\$3.50
All in excess of one hour, per hour or fraction thereof.	3.50

FIRE HYDRANT RENTALS

Per hydrant per month.	\$1.50
--------------------------------	--------

The above rates apply to water used for domestic,

146

commercial and irrigation purposes.

IT IS HEREBY FURTHER ORDERED that Bell Water Company, a corporation, be and it is hereby directed to file with the Railroad Commission within ten (10) days from the date of this order, the following rule which shall be substituted for and in the place of the present Rule No. 12 C and shall become effective on and after April 1, 1926:

RULE NO. 12C. Where two or more consumers located upon the same premises or in the same building, are supplied by means of one and the same metered service connection, but one minimum monthly payment shall apply. Where proper responsibility for payment of water bills can not be determined, separate metered service connections may be installed by the utility or shall be installed on demand of any consumer so served, in which case the regular monthly minimum charges shall apply to each service connection.

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 19th day of March, 1926.

H. B. Brundage
C. S. Seamy
Ernest G. Scott

Commissioners.