

Decision No. 17208.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

WILLIAM HENRY ADAMS, LEE JUDKINS

vs.

Case No. 2158.

LOS ANGELES COUNTY WATER WORKS

In the Matter of the Application of)

LOS ANGELES COUNTY WATER WORKS,)

a corporation, for authority to in-)
crease rates.)

Application No. 12575.

McAdoo, Neblett & O'Connor, by W. H. Neblett
and Brice Claggett, for Los Angeles County
Water Works.

W. H. Adams, for complainants.

Carl B. Sturzemanacke, for Lions' Club of
Gardena Valley.

Douglas Stockall, for Panama Acres consumers,
protestants.

BY THE COMMISSION:

O P I N I O N

In this proceeding the complainants allege that defend-
ant, Los Angeles County Water Works, a corporation, is delivering
an insufficient quantity of water for the charges made, in that
water is delivered on the basis of the run of the pump regardless
of the quantity delivered. The complainants ask that the company
be compelled to repair its pipe lines, gates, etc., in order to
conserve the water thereby being wasted, and that the Commission

establish a measured rate for the delivery and sale of irrigation water.

The company's answer denies generally the charge of responsibility for waste of water through leaky pipe lines, and alleges that the rapid growth of the community has increased the demands of the consumers beyond the capacity of the water supply and the facilities installed; that in order to provide proper service the company was forced to purchase water from outside sources and install additional water-producing equipment and distribution facilities, the costs of which have absorbed all the earnings of the company and will require refinancing in order to keep up with the demands of service; and that plans for refinancing are being prepared which will provide for all the requirements of the present service, including the installation of measuring devices demanded by complainants.

The application by the company alleges that for the year 1925 the revenues from the present rates produced a return of only 2.62 per cent. upon the estimated investment of \$235,326, using a depreciation annuity based upon the sinking fund method at 6% and a return of 2.33 per cent. using the sinking fund method at 5%; that owing to the increased demands for service by the community it is necessary for the company to install additional facilities, and that it is difficult to finance same unless the present rates are increased to provide an adequate return upon the reasonable investment in the property devoted to public use.

Hearings in the above entitled matters were held before Examiner Williams at Los Angeles, after all consumers and other interested parties had been notified and given an opportunity to appear and be heard. By stipulation the complaint and application herein were consolidated for hearing and decision.

This company serves water for both irrigation and domestic

purposes. The irrigation system consists of two pumping plants and wells, one of which delivers water directly into the irrigation distribution system and the other delivers the water into a concrete stand pipe, from which it is distributed for both irrigation and domestic purposes. There are 21,772 lineal feet of irrigation mains varying from 14 to 6 inches in diameter, delivering water to 63 consumers who irrigate approximately 228 acres of land.

The domestic system is supplied with water from the stand pipe referred to above, and may also be supplied from the irrigation well in cases of emergency. A third well, located in Panama Acres, is used entirely for domestic service. The domestic distribution system is entirely separate from the irrigation system and consists of 201,836 feet of mains varying from 3/4 inch to 10 inches in diameter. There are 1,719 services, of which 735 are metered.

The rates in effect on the main part of the system in and about the town of Gardena were established by this Commission in its Decision No. 6183, dated March 12, 1919, in Application No. 4220 (16 C.R.C. 541), and are as follows:

METER RATES

500 cubic feet or less	\$1.00
500 to 2000 cubic feet, per 100 cu.ft. . . . .	.15
Over 2000 " " " " " " . . . . .	.10

FLAT RATES

Domestic - for house and less than one fourth acre of land, per month.	\$1.50
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IRRIGATION RATE

Plant No. 2, \$1.50 per hour run of pump at capacity.	
Plant No. 3, \$1.25 " " " " " " " " " "	

FIRE SERVICE

Per hydrant per month.	\$2.00
Minimum payment per month.	25.00

The rates in effect on the Panama Acres district immediately adjoining the Gardena territory were established by the Commission in its Decision No. 2765, dated September 17, 1915 (8 C.R.C. 105), and are as follows:

1000 cubic feet or less.	\$1.50
1000 to 2000 cubic feet, per 100 cubic feet.	.08
Over 2000 " " " " " "	.05

At the hearings the consumers testified that the irrigation water is sold on an hourly basis at pump capacity; that the quantity delivered by the pump has been gradually growing less each year until now it is less than one half the quantity originally delivered, and that particularly during the 1925 irrigation season the company failed to deliver a sufficient quantity of water when required, which resulted in a considerable loss to the consumers through failure to mature crops. It was also stated that there was considerable leakage in the distribution mains and the gate valves, reducing the quantity of water delivered; and that this loss, taken in connection with the gradual seasonal reduction in deliveries of water, has had the effect of gradually increasing the cost of water and has resulted in an excessive rate for the quantity of water delivered, which has had the effect of reducing the acreage planted and has consequently decreased the company's annual revenues from water sales.

The company claimed that the subnormal rainfall for the past several years, requiring an increased amount of pumping irrigation water to make up the deficiency, has resulted in a constant lowering of the water table, making it necessary to lower the pumps each season and to increase the power applied in order to produce sufficient water to meet the requirements of its consumers. During the 1925 irrigation season the company's well collapsed while the casing was being perforated in an attempt to

obtain additional water from another stratum, as a result of which water was purchased from other sources at approximately the same rate as now in effect on the system in order that the consumers would suffer no loss through interruption of service. Thereafter the company drilled a new well and installed new pumping machinery and equipment. According to the testimony of the company this new well produced about 75 miner's inches of water when first drilled, but later sanded up, resulting in a considerable expense to develop the full flow of the well again. At the time of the hearing the evidence shows that this well was consistently producing 100 miner's inches of water. Measurements of deliveries taken at two other points on the irrigation pipe line showed that at one half mile from the pump there were 89.3 miner's inches of water being delivered, and that at one mile from the pump or at the end of the line there were 73.0 miner's inches of water being delivered. As all leaks had been repaired at the time of investigation and test, this reduction in delivery is due entirely to loss of head through the pipe lines. This evidence indicates that the amount of irrigation water delivered is not uniform to all consumers and is unsatisfactory and discriminatory especially as to those water users receiving service through long pipe lines at a considerable distance from the pumping plant. It is clear therefore that the contention of the consumers that water should be measured at the various points of delivery rather than at the pumping plant is well taken and should be sustained.

Although several consumers testified that the time required to irrigate certain parcels of land had increased from two to four times, yet no testimony was offered showing the quantity of water delivered for irrigation during the early days of operation when the consumers claimed a plentiful and adequate supply, as compared to the period complained of and ensuing thereafter.

However, the evidence indicates that the consumers as a matter of fact have been paying from 3 to 5 cents per miner's inch per hour, measured at the pump, which does not include the additional loss in transit suffered through leaks and otherwise.

At the hearings reports were presented by F. M. Faude, consulting engineer for the company, and by William Stava, one of the Commission's hydraulic engineers. Mr. Faude's report showed the estimated original cost of the property to be \$233,122 and the depreciation annuity \$5,366, computed by the 5 per cent. sinking fund method. In Mr. Stava's report the estimated original cost was found to be \$227,443 and the depreciation annuity \$5,033, also computed by the 5 per cent. sinking fund method. The maintenance and operating expenses for 1925 were analyzed and presented by both engineers, and were found to total \$24,403. The report of the Commission's engineer showed that the 1925 expenses were about \$8,000 more than the 1924 expenses, and about \$9,000 more than the expenses for 1923, exclusive of depreciation, and that the difference was largely due to the growth of the community and the failure of the well supplying irrigation water, both of which have necessitated the purchase and delivery of water from outside sources. Another large item of expense is attributable to the costs involved in lowering mains and services on account of extensive paving operations, which according to the testimony will continue for some time in the future. The present demands for service will require the development of additional water-producing facilities, the annual charges of which will about equal the cost of the water purchased during 1925. In addition the company proposes to fully meter the system, which will increase the cost of meter maintenance. A consideration of the testimony submitted regarding maintenance and operation expense indicates that the 1925 expenses as submitted above may be considered reasonable for the immediate future. The operating revenues of the company were shown

to be \$34,535 for 1925, \$30,700 for 1924 and \$27,860 for 1923. The increased annual revenues reflect the growth of the community and indicate that some increase in revenue can be depended upon from that source.

The results of operation for the year of 1925 on the basis of the company's reports show a return of 2.05% on the estimated original cost, while the report of the Commission's engineer indicates a return of 2.24%. Owing to the incompleteness of the company's records and accounts covering former years it was impossible to determine accurately the results of the operations for the years 1923 and 1924, but computations made from the information submitted at the hearing indicate that the return earned during those two years was approximately 4.7% and 4.3% respectively.

In connection with the complaint of Adams et al., requesting the establishment of a measured rate, a segregation was made of the physical property, depreciation annuity and the operating expenses, by both Mr. Faude and Mr. Stava, for the purpose of determining what portion of these items were chargeable against the irrigation service. The results of this segregation are shown as follows:

	Faude		Stava	
	Domestic	Irrigation	Domestic	Irrigation
	System	System	System	System
Revenues	\$28,971	\$5,564	\$28,954	\$5,581
Maint. & Operation Exp.	\$18,530	\$5,873	\$18,530	\$5,873
Depreciation Annuity	4,455	911	4,181	857
Total Expenses	\$22,985	\$6,784	\$22,711	\$6,730
Net Revenue	\$5,986	\$1,220*	\$6,247	\$1,151*
Estimated Cost	\$198,223	\$34,899	\$193,326	\$34,117
Per cent. Return	3.02	---	3.23	---

* Loss.

The figures set out above indicate that the irrigation system is not returning operating expenses and that the domestic system is not producing an adequate and reasonable return on the investment. It therefore appears that an adjustment in the present schedule of rates should be made at this time. The rates established in the following order are designed to return sufficient revenue to cover maintenance and operation expenses, depreciation annuity, and under the circumstances existing on this system, a reasonable return on the property devoted to public use.

O R D E R

William Henry Adams et al. having filed formal complaint before this Commission against the irrigation service and rates of the Los Angeles County Water Works, a corporation, and the Los Angeles County Water Works, a corporation, having made application for authority to increase the rates for water delivered to consumers at Gardena and vicinity, 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 Los Angeles County Water Works, a corporation, for water delivered to consumers at Gardena and vicinity, 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.

IT IS HEREBY ORDERED that Los Angeles County Water Works, 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 its consumers in Gardena and vicinity, Los Angeles County, on and after the first day of September, 1926:

MONTHLY METER RATES

600 cubic feet or less	\$1.50
From 600 to 3000 cubic feet, per 100 cu.ft. . . . .	.20
Over 3000 " " " " " . . . . .	.12

MONTHLY MINIMUM CHARGES

5/8 inch meter	\$1.50
3/4 " "	1.75
1 " "	2.00
1 1/2 " "	2.75
2 " "	3.50
3 " "	10.00
4 " "	14.00

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

MONTHLY FLAT RATES

For residences or flats of five rooms or less, with bath and toilet	\$1.50
For each additional bath . . . . .	.25
For each additional toilet . . . . .	.25
For each additional room . . . . .	.10
Store or business house, with lavatory and toilet	1.50
Stores with soda fountains	3.00
Barber shops and two chairs.	1.50
Each additional chair. . . . .	.25
Restaurants.	4.00
Lunch counters	1.50
Pool hall with toilet.	1.50
Blacksmith shop.	1.00
Doctor's or dentist's offices, etc.	1.50
Apartments, 2-room, with bath and toilet . . . . .	.50
" 4-room, " " " "	1.00
" 5-room, " " " "	1.50
Service stations	2.00
Per square yard of surface actually irrigated, during months when water is used . . . . .	.005

FIRE SERVICE

Per hydrant per month.	\$2.00
Minimum monthly payment.	25.00

IRRIGATION RATES

Per miner's inch hour, delivered	\$.04
(A miner's inch shall be considered the equivalent of one fiftieth (1/50) of a cubic foot of water per second.)	

IT IS HEREBY FURTHER ORDERED that Los Angeles County Water Works, 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 11th day of August, 1926.

H. R. Brundage

C. L. Seaver

Thos. J. Rauten
Commissioners.