

Decision No. 17341.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
I. W. LAMPMAN, )  
doing business under the firm name )  
and style of MAGNOLIA PARK WATER )  
COMPANY, for an increase of rates. )

**ORIGINAL**

Application No. 12828.

George L. Hampton, for applicant.

LeRoy Thomas, for consumers and Magnolia  
Park Improvement Association.

BY THE COMMISSION:

O P I N I O N

This is a proceeding brought by I. W. Lampman, doing business under the firm name of Magnolia Park Water Company, who requests the Railroad Commission to authorize an increased schedule of rates to be charged for water supplied to his consumers in and in the vicinity of Magnolia Park, in Los Angeles County.

The application herein alleges in effect that the present rate schedule under which this company operates has a flat rate of \$1.50 per month and a monthly minimum rate for metered service of \$1.00 for a five eighths inch (5/8") meter, entitling the consumers to five hundred cubic feet of water; that the district served by applicant in most cases comprises small tracts of land varying in size from one quarter to one half acre; that there is a considerable waste of water at present on the service rendered at a flat rate, for which reason it is desired to meter all water sold. It is further alleged that the present monthly

minimum rate for metered service of one dollar is too low to produce a reasonable return upon the investment when the system is fully metered, and the Commission is therefore requested to increase the present minimum meter rate to \$1.50 per month for seven hundred cubic feet of water.

A public hearing in this matter was held before Examiner Williams at Los Angeles, after all interested parties had been duly notified and given an opportunity to be present and be heard.

This water system was installed in 1922 and 1923 to aid in the sale of lots in Tracts Nos. 5527, 4753 and 4936 in Los Angeles County. The water supply is obtained by pumping from a 14-inch cased well 264 feet deep, from which water is elevated into a 25,000 gallon storage tank forty feet above the ground surface, and thereafter distributed by gravity to the consumers. There are 716 lots in the territory served by applicant, only 176 of which now receive service. The distribution system consists of about 57,634 feet of mains varying from 2" to 10" in diameter, making an average of 327 feet of main per service, a fact indicating a territory not fully developed.

The following schedule of rates now in effect was established by the Railroad Commission in its Decision No. 13458, dated April 23, 1924, in which a certificate of public convenience and necessity was granted for the operation of this system as a public utility, and is as follows:

MONTHLY MINIMUM METER RATES

5/8	inch meter	.....	\$1.00
3/4	" "	.....	1.25
1	" "	.....	1.75
1 1/2	" "	.....	2.25
2	" "	.....	4.00
3	" "	.....	8.00
4	" "	.....	12.00

Each of the foregoing monthly minimum meter charges shall entitle the consumer to the quantity of water which that amount of money would purchase at the following monthly meter rates.

MONTHLY METER RATES

From 0 to 500 cubic feet, per 100 cu.ft.	..	\$.20
" 500 " 3000 " " " "	..	.15
All over 3000 " " " "	..	.12

MONTHLY FLAT RATE

Service to house and lot . . . . .	..	\$1.50
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An investigation of this system and a report thereon was made by F. E. Van Hoesen, one of the Commission's hydraulic engineers, in which the estimated original cost of the present operative properties was found to be \$38,779 as of June 1, 1926, and the depreciation annuity \$958, computed by the sinking fund method at 6%. The sum of \$2,410 was estimated to be a reasonable allowance for maintenance and operation expenses for the immediate future, based upon present operating methods and conditions.

No appraisal of the utility was presented by applicant, although the application in this proceeding sets forth in Exhibit "A" therein that the book value of the properties amounted to \$40,313.02 as of April 1, 1926. The figures presented by the Commission's engineer are fair and reasonable and will be used for the purposes of this proceeding.

Based upon the foregoing figures the operations for the year 1925 in which the total revenues amounted to \$4,507, resulted in a net return to the utility of slightly less than 3% upon a rate base of \$38,799.

A study of the territory served by this utility shows that the present distribution facilities are larger than required by the present number of consumers for normal service, the plant having been installed primarily for the purpose of aiding in the sale of lots. It would be unreasonable therefore to compel the present consumers to pay a rate which would yield a full return upon the entire investment, designed to accommodate the demands

of a far greater population. However, in view of the fact that it is the intent of applicant to fully meter this system, which will result in considerable expense both for the purchase and installation of the necessary meters, as well as the cost of reading and maintaining them, and as the use of meters, while to some extent decreasing operating expenses by reducing the quantity of water used, will under the present meter rates seriously curtail the revenues, the present flat rate will therefore be continued in effect, and a readjustment made in the schedule of metered rates that will maintain the present revenues and provide the consumers a liberal quantity of water. The revenues to be produced by the rates established in the following order will provide a fair net return upon that portion of the system reasonably necessary to serve the community with proper allowance for its future growth.

#### O R D E R

I. W. Lampman, doing business under the firm name and style of Magnolia Park Water Company, having applied to the Railroad Commission for an order authorizing an increase in the rates charged for water supplied to his consumers in and in the vicinity of Magnolia Park in Los Angeles County, a public hearing having been held thereon, the matter having been submitted and the Commission now being fully apprised in the premises,

It Is Hereby Found as a Fact that the present rate schedule of I. W. Lampman, in so far as it differs from the schedule herein established, is unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged for the service rendered.

Basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that I. W. Lampman be and he is hereby 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 consumers subsequent to September 30, 1926:

MONTHLY FLAT RATE

Service to house and lot . . . . . \$1.50

MONTHLY MINIMUM METER RATES

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 meter charges shall entitle the consumer to the quantity of water which that amount will purchase at the following monthly meter rates:

MONTHLY METER RATES

0 to 700 cubic feet, per 100 cubic feet. . . . .	\$.214
700 to 3000 cubic feet, per 100 cubic feet . . . . .	.15
All over 3000 cubic feet, per 100 cubic feet . . . . .	.12

IT IS HEREBY FURTHER ORDERED that I. W. Lampman file with the Railroad Commission within thirty (30) days from the date of this order, revised rules and regulations to govern his relations with consumers, such rules and regulations to become effective upon their acceptance for filing 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 15<sup>th</sup> day of September, 1926.

W. B. Brundage  
W. A. Sawyer  
Leon Whittell  
 Commissioners.