

ORIGINAL

DECISION NO. 18400

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
of Liberty Acres Water Company for
permission authorizing an increase
in rates for water service.

Application No. 13670.

Jerry Campbell, for applicant.

BRUNDIGE, COMMISSIONER:

O P I N I O N

Liberty Acres Water Company, a corporation, the applicant in the above entitled proceeding, is engaged in the public utility business of supplying water for domestic purposes to consumers living in Tracts No. 5755 and No. 6490, in Los Angeles County. Applicant alleges in effect that the income under the present operating conditions is wholly insufficient to meet the bare costs of pumping, repairs and labor, and, therefore, requests the Commission to establish an increased schedule of rates.

A public hearing in the matter was held at Los Angeles after all interested parties had been duly notified and given an opportunity to appear and be heard.

According to the evidence, Ole Hanson, a real estate operator, originally installed this water system and organized the Liberty Acres Water Company in 1922 to aid in the sale of lots in Tracts No. 5755 and No. 6490, Los Angeles County. On August 16, 1924, the Commission in its Decision No. 13926 granted

to this company a certificate of public convenience and necessity to operate a public utility water system. The rates now in effect were established by this Commission on April 13, 1926, by Decision No. 16486 and are as follows:

MONTHLY FLAT RATE

For 3/4 inch service-----	\$1.50
For 1 " " "-----	3.00

METER RATES

Minimum Monthly Charges

5/8 by 3/4 inch meters-----	\$1.50
3/4 " "-----	2.00
1 " "-----	3.25
1 1/2 " "-----	5.00
2 " "-----	7.00

Each of the foregoing "Minimum Monthly Charges" will entitle the consumer to the quantity of water which that minimum will purchase at the "Monthly Meter Rates" set out as follows:

MONTHLY METER RATE

From 0 to 1,500 cubic feet per 100 cubic feet-----	\$0.25
From 1,500 to 2,500 " " " " "-----	.20
Over 2,500 " " " " "-----	.15
Fire hydrants each per month-----	.50

The water supply of this utility is obtained from a well equipped with an electrically driven deep well pump. Water is pumped either directly into the mains or may be stored in a redwood tank of 25,000 gallons capacity, from which distribution can be made by gravity.

Applicant submitted a statement showing the cost of operating the system for the months of February, March and April, 1927, together with the revenue collected for the same period.

The results are as follows:

<u>1927</u>	<u>Cost of Operation</u>	<u>Revenue</u>
February-----	\$255.92	\$ 90.00
March-----	224.40	87.00
April-----	254.43	107.50

Analysis of the figures presented by applicant indicates that a portion of the operating costs should be charged to capital and, also, that a considerable amount of the expenses was incurred for repairs made necessary through deferred maintenance and neglect of the water mains prior to applicant's control and management. Such extraordinary expenses should not recur annually.

F. E. Van Foesen, one of the Commission's engineers, submitted a report which gave the estimated original cost of the used and useful properties of the Liberty Acres Water Company to be \$35,026. as of May 1, 1927, with a corresponding depreciation annuity of \$944. computed by the sinking fund method at 5%. In this report, the maintenance and operating expenses for the year 1925, as shown by the company's books, were found to be \$1,316., and the sum of \$1,710. was recommended as a reasonable annual cost of operation and maintenance for the immediate future.

There are approximately sixty consumers receiving water from this system and at the present flat rate of \$1.50 per month, with the result that existing rates will produce a revenue of approximately \$1,060. for the year. Under the conditions existing on this system, as more fully discussed later in this opinion, it is apparent that the present rates are not sufficient to enable the applicant to continue operations.

There was no particular objection on the part of those consumers present at the hearing against the granting of a reasonable increase in the existing rate schedule of this utility. There was, however, considerable protest by the consumers as to the condition of the streets and side-walks in the territory served, resulting from leaks in the distribution mains. Unquestionably, considerable damage has been done by this water system as the result of the gross neglect of the entire water plant by former owners, who discontinued the operations for a period of several months during which time service was maintained only through the efforts of the Railroad Commission and the present applicant,

Mr. Campbell. After a considerable amount of difficulty, the Commission has been able to obtain an operator for this system who will devote whatever time is necessary to improve conditions and render adequate service to the consumers. It must be pointed out, however, that the condition of the pipe lines is such that a considerable amount of time and money necessarily must be spent in order to place the plant on a proper operating basis. It should also be borne in mind that, although efforts were made by the Commission to induce the consumers to organize a mutual water company and take over the conduct of the affairs of this company, none of them were willing to accept the responsibility and devote the necessary time and money to place and maintain this plant in proper condition to serve the consumers. It is evident that this water system cannot be entirely reconstructed at the present time. The necessary repairs and replacements of pipe lines and equipment will be carried on from time to time as finances of the company warrant. A reasonable amount of indulgence, therefore, should be given to the present owner and operator, who has volunteered to assume the obligations and liabilities heretofore abandoned by his predecessors in interest. As a result of the unfortunate combination of circumstances through which this water company has recently passed, a rate, which will enable this applicant to continue in the business without incurring severe financial loss, will necessarily be higher than normal operating conditions would warrant. However, the rates established in the following Order are reasonable under the circumstances and will not place an undue burden upon the consumers. This rate schedule may properly be considered as more in the nature of an emergency rate and, when the present extraordinary service conditions have been overcome, it may be found that the rate as established herein will be higher than necessary. If and when this time arrives, the Commission

will gladly consider a downward readjustment of the minimum charges and monthly quantity rates herein fixed.

The following form of Order is submitted:

O R D E R

Liberty Acres Water Company, a corporation, having made application 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 now charged by the Liberty Acres Water Company, a corporation, 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 for the service rendered; and, basing its Order upon the foregoing finding of fact and upon the statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that the Liberty Acres Water Company be and it is hereby authorized and directed to file with the Commission within thirty (30) days from the date of this Order the following rates for water delivered to its consumers, said rates to be charged for all water delivered on and after the thirty-first day of May, 1927.:

FLAT RATES

Residences, eight (8) rooms or less, including bath and toilet-----	\$2.50
For each additional room over eight (8)-----	.25
For each additional bathtub-----	.25
For each additional toilet-----	.15
For sprinkling or irrigating lawns and gardens for each month during which water is actually used, per 100 square feet of surface irrigated-----	.05
Fire hydrants, each-----	.75

METER RATES

Minimum Monthly Charges

5/8 by 3/4 inch meter-----	\$2.50
3/4 " "-----	3.00
1 " "-----	4.00
1 1/2 " "-----	5.50
2 " "-----	8.00

Each of the foregoing "Minimum Monthly Charges" will entitle the consumer to the quantity of water which that minimum will purchase at the "Monthly Quantity Rates" set out below:

MONTHLY QUANTITY RATES

From	0 to 1,000	cubic feet	per	100	cubic feet	----	\$0.35
From	1,000 to 2,500	"	"	"	"	----	.25
Over	2,500	"	"	"	"	----	.15

IT IS HEREBY FURTHER ORDERED that the Liberty Acres Water Company 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 service of water to its consumers, said rules and regulations to become effective upon their acceptance for filing by the Railroad Commission.

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

The foregoing opinion and order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 25th day of

May, 1927.

Emmert
H. B. R. ...
C. J. ...
Thos. S. ...