

ORIGINAL

Decision No. 29961

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
INVESTMENT WATER COMPANY, a corpora-
tion, for authority to sell real
property, and for authority to in-
crease rates.

Application No. 15158.

McAdoo, Neblett, O'Connor & Clagett, by E.H. Mitchell,
for Applicant.

J.L. Ronnow, for City Attorney Jess E. Stephens,
of City of Los Angeles, Interested Party.

F.F. Ball, for Board of Public Utilities and Transporta-
tion of the City of Los Angeles, Interested Party.

J.T. McCann, for the Los Angeles Fire Department,
Interested Party.

R.W. Bramble, for Hill Top Branch, Public Service League
and other home owners in the View Park Section,
Protestants.

E. Niemoeller, for Angeles Mesa Improvement Association,
Protestant.

C.H. Masters, for Angeles Mesa Welfare Improvement
Association, Protestant.

BY THE COMMISSION:

O P I N I O N

The Investment Water Company is a corporation supplying
water to residents in the district known as Angeles Mesa, a part
of which is within the corporate limits of the City of Los Angeles.
Applicant asks the Railroad Commission for authority to sell certain
parcels of real property and to increase its present rates now

charged for water service.

A public hearing in this matter was held before Examiner Rowell at Los Angeles.

This water system was originally installed in 1907, when wells were drilled to provide water for the irrigation for farming purposes of part of the lands now within the present service area. The Los Angeles Investment Company purchased a portion of the irrigated lands in 1912 for subdivision purposes, and, to aid in the sale of lots, organized the Sentinel Heights Water Company to furnish domestic water service. The Investment Water Company, applicant herein, was organized in 1918 by said Investment Company and on February 13, 1919, obtained authority from the Railroad Commission to purchase the property and rights of the Sentinel Heights Water Company. At all times, this utility has been operated by the Los Angeles Investment Company as an adjunct to its real estate operations until, at the present time, the system supplies an area of approximately one square mile, lying partly within and partly without the city limits of the City of Los Angeles.

The present rates of this utility were established by the Commission in its Decision No. 11420, dated December 29, 1922, and are as follows:

MONTHLY MINIMUM CHARGES

5/8-inch or 3/4-inch meter-----	\$0.75
1-inch meter-----	1.00
1 1/2-inch meter-----	1.50
2-inch meter-----	2.00
3-inch meter-----	3.00

MONTHLY METER RATES

From 0 to 10,000 cubic feet, per 100 cubic feet----	\$0.10
From 10,000 to 50,000 cubic feet, per 100 cubic feet----	.085
From 50,000 to 100,000 cubic feet, per 100 cubic feet----	.07
For use over 100,000 cubic feet, per 100 cubic feet----	.05

The charge for each hydrant in service shall be at the rate of twenty-four dollars (\$24.00) per annum.

The water supply is obtained from deep wells and pumped through its mains to storage reservoirs and tanks located at the higher elevations of the district. The entire distribution system has been constructed of cast iron pipe, conforming to the specifications of the municipal water works of the City of Los Angeles. The service area of this utility which is located within the City of Los Angeles is thickly populated, while that district known as Baldwin Hills and situated outside of the city is, at the present time, sparsely settled and still in the development stage.

At the hearing, reports were submitted by engineers for the company and for the Railroad Commission. The company's report is based upon estimated original cost as of September 1, 1928, while the report of the Commission is based upon the findings on original cost made in connection with the former rate proceeding, to which have been applied the net additions and betterments to capital subsequent thereto. A summary of the conclusions found in the above reports, including determinations on revenues, operating expenses and depreciation, is set out in the following tabulation:

	:Company's :Engineer :	:Commission's :Engineer :
Estimated Original Cost, Sept. 1, 1928, less intangibles and lands	\$233,517	-
Estimated Original Cost, Dec. 1, 1928, less intangibles and lands	-	\$225,940
Lands, present value	46,685	-
Intangibles, franchise & water rights	22,800	-
Working Capital	2,322	-
Working Capital (testimony)	-	2,284
Replacement Annuity	2,428	2,428
Expenses, Year ending Aug. 31, 1926	12,097	-
Expenses, Year ending Aug. 31, 1927	14,859	-
Expenses, Year ending Aug. 31, 1928	20,576	--
Expenses, 1927	-	14,799
Expenses, 1928	-	20,368
Estimated future costs of operation	20,040	18,275

(Continued)

	:Company's:	Commission's:
	:Engineer :	Engineer :
Revenue, Year ending Aug. 31,1926	\$22,094	-
Revenue, Year ending Aug. 31,1927	24,430	-
Revenue, Year ending Aug. 31,1928	26,057	-
Revenue, 1926	-	\$22,563
Revenue, 1927	-	24,708
Revenue, 1928	-	26,640
Net Return, Year 1928	-	1.40%
Net Return, Year ending Aug. 31,1928	1.00%	

The present rates now charged by this company are much below the average rates charged by other water systems, both public utilities and municipally-owned and operated systems in the general vicinity of the territory supplied. The figures set out in the foregoing tabulation indicate that the present rate schedule does not yield a reasonable return upon the investment and the evidence shows that applicant is fairly entitled to an increase in the rates now in effect. The following Order will provide an increased schedule of rates which should produce a fair return upon a rate base of \$275,000, using as the reasonable costs of operation and maintenance for the immediate future the sum of \$20,703, including depreciation and giving full consideration to the conditions of service and circumstances controlling local operations.

Protest was made by certain consumers and organizations that the water supplied them is hard and not desirable for domestic purposes. A chemical analysis submitted by the Los Angeles Testing Laboratory shows the water to be rather hard but not such as to render it wholly unsuitable for domestic and household uses. However, it is suggested that applicant take immediate steps to investigate the possibilities of obtaining a softer water, either as a permanent supply or for dilution of its existing sources.

Applicant has subdivided the land on which its main pumping plant is located and desires to sell that portion no longer useful or necessary in its operations. In so doing, the

company is retaining sufficient property to care for all reasonable future needs and will be in a position to dispose of that portion located on Forty-eighth Street which at the present time is more valuable for other purposes. This request appears reasonable and will be granted.

O R D E R

Investment Water Company, a corporation, having made application to this Commission as entitled above, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

HEREBY FINDS that the rates and charges of Investment Water Company, a corporation, for water delivered to consumers, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates to be charged for the service rendered, and basing its order upon the findings and conclusions herein,

IT IS HEREBY ORDERED that Investment Water Company, a corporation, be and it is hereby authorized and directed to file with this Commission, within thirty (30) days from the date of this Order, the following schedule of rates to be charged for all service rendered subsequent to the 30th day of April, 1929.

METER RATES

<u>Minimum Monthly Charges:</u>	
5/8-inch x 3/4-inch meter-----	\$ 1.00
3/4-inch meter-----	1.25
1-inch meter-----	2.25
1 1/2-inch meter-----	3.00
2-inch meter-----	4.50
3-inch meter-----	10.00
4-inch meter-----	20.00
8-inch meter-----	25.00

Each of the foregoing "Minimum Monthly Charges" will entitle the consumers to the quantity of water which that monthly minimum charge will purchase at the following quantity rates:

Monthly Quantity Rates:

0 to	600 cubic feet, per 100 cubic feet-----	\$0.16-2/3
Next	1,400 cubic feet, per 100 cubic feet-----	.15
Next	8,000 cubic feet, per 100 cubic feet-----	.12
All over	10,000 cubic feet, per 100 cubic feet-----	.10

FIRE HYDRANTS

Fire hydrants, each per month-----\$2.00

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

IT IS HEREBY FURTHER ORDERED that Investment Water Company, a corporation, be and it is hereby authorized to sell that certain property described as Lots one (1), four (4) and five (5) and the easterly half of Lot two (2) of Tract No. 10437, Los Angeles County, and to dedicate to the public a twenty-foot strip for an alley, as shown in Exhibit "C" attached to the application herein, subject to the following terms and conditions:

1. The authority herein granted shall apply only to such transfer as shall have been made on or before the thirty-first day of July, 1929.
2. A certified copy of the final instrument of conveyance shall be filed with this Commission by said Investment Water Company within thirty (30) days of its execution.

3. The consideration for the sale of the property herein authorized shall not be urged before this Commission or any public body as a finding of value for rate-fixing or any purpose other than authorized herein.

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 13th day
of April, 1929.

Thos D. Lewis

C. Seavey

Leon Whitford

M. J. Con
Commissioners