

Decision No. 21344

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of EUCLID AVENUE WATER COMPANY for permission to increase rates of water of said company.	}	Application No.15334
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Stanley W. Guthrie, for Applicant.
 F. A. Jeffers, Protestant.
 Lieut. M. Veronda, Protestant.
 Mrs. Charles C. Stanley, Protestant.

BY THE COMMISSION -

OPINION

ORIGINAL

Euclid Avenue Water Company, a corporation, supplying water to residents in an area located in the westerly portion of the City of San Marino, Los Angeles County, has petitioned the Railroad Commission for authority to increase the rates for water service. The application alleges in effect that the present rates do not produce sufficient revenue to provide a reasonable return on the investment.

A public hearing on this application was held before Examiner Handford at San Marino.

Euclid Avenue Water Company was incorporated in 1900 as a mutual water company to supply irrigation water to approximately 160 acres of citrus land. Subsequently, this area, with an additional ten acres, was subdivided into lots and sold mainly for residential purposes. The demand for water has gradually changed from irrigation to largely domestic use at the present time.

The rates in effect on this system were established by the Commission in its Decision No.15241, dated July 31, 1925, and are as follows:

Domestic Use

600 cubic feet or less	\$ 1.25
From 600 to 2600 cubic feet, per 100 cubic feet12
All in excess of 2600 cubic feet, per 100 cubic feet05

Irrigation

Per 100 cubic feet	\$ 0.05
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The water is obtained from two deep wells and is pumped into a storage reservoir, from which it is distributed to the users through approximately 27,600 feet of mains varying from two to ten inches in diameter. There are approximately 300 customers. All regular service connections are metered.

At the hearing, reports and appraisals of the system were submitted by D. E. Phillips, Superintendent of the company, Charles Bradshaw, an engineer for the company, and F.H. Van Hoesen, one of the Commission's hydraulic engineers. Mr. Phillips based his appraisal upon the estimated original cost of the system as of January 1, 1929, while the appraisal of Mr. Bradshaw is based on the reproduction cost or the costs of labor and materials as of December 31, 1928. The appraisal of Mr. Van Hoesen is based upon the findings of original cost of the system by the Commission which were made in connection with a former rate proceeding, to which have been added the net additions and betterments to capital made subsequent thereto. In the following tabulation is set out a summary of the above appraisements, together with operating revenues and expenses, depreciation, and the results of operation based thereon:

	<u>For the Company: For Commission</u>		
	Supt.	: Engineer	: Engineer
	Phillips:	Bradshaw	: Van Hoesen
Estimated Historical Cost, as of January 1, 1929.	\$ 81,704	\$ -	\$ 78,584
Estimated Reproduction Cost, as of January 1, 1929.	-	86,631	-
Non-operative Property	10,000	8,000	11,000
Replacement Annuity, 5% Sinking Fund	1,628	1,639	1,377
Operating Expense, 1927.	-	-	5,836
Operating Expense, 1928.	6,842	6,836	6,630
Operating Expense, 1929. (Est.)	8,148	8,078	-
Operating Revenue, 1927.	9,421	9,421	9,421
Operating Revenue, 1928.	11,122	11,122	11,122
Operating Revenue, 1929. (Est.)	12,407	12,709	-
Interest Return on Investment, 1928	3.2%	3.0%	3.9%
Interest Return on Investment, 1929, (Est.)	3.2%	3.0%	-
Estimated Revenue on Proposed Rate, 1928.	13,518	-	13,450
Estimated Revenue on Proposed Rate, 1929.	15,003	-	-
Interest Return on Proposed Rate (1928 Operations)	6.3%	-	7%

The evidence indicates that a reasonable rate base for the purposes of this proceeding is approximately \$80,000 and that a fair allowance for annual maintenance and operation expenses for the immediate future, including depreciation, is \$8500.

From the figures set out in the above tabulation, it is clear that the results of operation for 1928 do not provide a sufficient return upon the investment devoted to the public use and that applicant is entitled to a readjustment in the present rate schedule, due allowance having been made for the annual increase in business resulting from the healthy growth of the territory served.

Certain consumers questioned the fairness of including in the rate base real estate based on present fair market value and the inclusion as operative property of the entire area on which the present reservoir is located.

The evidence shows that good engineering and water works practice would require the entire reservoir lot and that it would not be feasible to eliminate any substantial portion thereof. The methods of appraising the real property of this utility as submitted in this proceeding follow the general practice of this Commission for rate fixing purposes and the final values assigned herein by the Commission for such property are considered entire^{ly} fair and proper.

O R D E R

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

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that the rates and charges of Euclid Avenue Water Company, a corporation, for water delivered to its consumers, insofar 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 this Order upon the foregoing finding of fact and on the further statement of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Euclid Avenue 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 31st day of July, 1929:

<u>Minimum Monthly Charges</u>	<u>Meter Rates</u>	<u>Domestic and Irrigation</u>
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5/8 x 3/4 inch meter		\$1.25
3/4 " "		1.50
1 " "		2.25
1 1/2 " "		3.00
2 " "		4.50
3 " "		10.00
4 " "		20.00

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

Monthly Quantity Rates:

0 to 500 cubic feet, per 100 cubic feet	\$0.25
Next 1000 cubic feet, per 100 cubic feet15
Next 2000 cubic feet, per 100 cubic feet12
All in excess of 3500 cubic feet, per 100 cubic feet08

Irrigation

Per 100 cubic feet \$.08

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 27th day of

July, 1929.

Thos D. Lovell

C. C. Leamy

M. A. Curran
COMMISSIONERS.