

Decision No. 22378

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 T. J. NESTOR for an order abrogating)
 all of the present existing rates and)
 charges for water service in Tracts)
 Nos. 6627 and 7148 in the County of) Application
 Los Angeles, State of California, and) No. 16770
 establishing metered service rates)
 therein.)

ORIGINAL

C. Roy Smith, for Applicant.

BY THE COMMISSION -

O P I N I O N

T. J. Nestor has petitioned the Railroad Commission for an order authorizing the abrogation of all presently existing rates and charges for the serving of water in Tracts Nos. 6627 and 7148, in the County of Los Angeles, and for the establishment of meter rates in lieu of those presently effective, said metered rates to be in accordance with those proposed by the application herein.

A public hearing on this application was conducted by Examiner Handford at Los Angeles, the matter was duly submitted and is now ready for decision.

Applicant is engaged in the business of distributing and selling water for domestic purposes to residents of tracts No. 6627 and 7148 in Los Angeles County and alleges that the present flat rate is unjust and impracticable and requests that metered rates be authorized in accordance with the schedule as set forth in the application.

Applicant acquired this water system from Samuel Gerson, the transfer from Gerson to the applicant being authorized by this Commission's Decision No. 21775, as decided November 12, 1929. The following schedule of rates as now in effect was established by this Commission in its Decision No. 14630, as decided March 5, 1925:

MONTHLY FLAT RATES

For residence	\$1.50
For each garage with one automobile25
For each additional automobile15
For each barn, including one horse or cow15
For each additional horse or cow15
For sprinkling or irrigation lawns or gardens, per 100 square feet of surface actually ir- rigated05

MONTHLY METER RATES

800 cubic feet or less	\$1.50
800 to 1200 cubic feet, per 100 cubic feet20
All in excess of 1200 cubic feet, per 100 cubic feet15

Meters may be installed at the option of the utility or the consumer. If installed at the option of the utility, the entire cost of same shall be borne by the utility. If installed at the option of the consumer, the consumer shall deposit with the utility the sum of \$15.00, which sum shall be returned to the consumer at the rate of 50 percent of the water bill each month until the entire amount deposited shall have been returned.

The record in this proceeding indicates that applicant was apparently unaware of the establishment by the Commission of the above metered rates and has, therefore, charged only the flat rate of \$1.50 for all classes of service. It appears that this applicant has negotiated for the sale of this utility property to the American States Water Service Company, a corporation, the consummation of which is dependent upon the Commission's authorization of the rate schedule as set forth in the application.

Reports showing the original cost of the water system and costs of operation were presented by John Nestor in behalf of applicant, and by F. H. Van Hoesen, one of the Commission's hydraulic engineers. In the following tabulation there is set forth a comparative summary of these appraisements, together with operating revenues, expenses and depreciation:

	<u>J.Nestor</u>	<u>Van Hoesen</u>
Estimated original cost, September 1, 1930	\$ 9,059.00	-
Estimated original cost, including Lot, September 1, 1930	10,009.00	\$ 9,242.00
Replacement Annuity	-	255.30
Maintenance and operating expenses, 1929	621.40	754.41
Maintenance and operating expense, 6 mos 1930	155.30	127.42
Maintenance and operating expense, estimated reasonable	-	604.00
Revenue, 1929	459.25	459.25
Revenue, 6 mos. 1930	279.75	252.26

While the above figures indicate that applicant is not at present receiving revenues equivalent to the actual costs of operation and maintenance together with depreciation, yet the evidence shows that the plant serves but forty consumers at present, whereas the tract is subdivided into approximately 764 lots. The territory served is in the early stages of development and the system, having been designed to supply the entire tract, is, consequently considerably overbuilt. In addition to this, applicant has made no attempt to collect all revenues possible through his present flat rate schedule. At the present stage of development of this area, applicant cannot reasonably expect to obtain a full interest return upon the capital invested. We feel that the present schedule of rates for both flat and measured service is reasonable under existing conditions and that a fair trial of the present meter rates will result in a considerable saving of pumping costs and at the same time yield a substantially increased annual revenue. The application will, therefore, be denied.

ORDER

A public hearing having been held on the above entitled proceeding, the matter having been duly submitted, the Commission being now fully advised in the premises and basing its order on the conclusion as set forth in the preceding opinion,

IT IS HEREBY ORDERED that this application be and the same hereby is denied.

The effective date of this order is hereby fixed as twenty (20) days from the date hereof.

Dated at San Francisco, California, this 20th day of October, 1930.

C. L. Seamy
Secretary

M. J. Lee
COMMISSIONERS.