

Decision No. 25481

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
INDEPENDENCE ACRES WATER COMPANY
for order to increase water rates.

Application No. 18125.

L.L. Colodny, for Applicant.

Walter G. Boone, for Protestants.

BY THE COMMISSION:

O P I N I O N

ORIGINAL

Independence Acres Water Company, a co-partnership engaged in the business of selling and distributing water for domestic and irrigation purposes in a small community known as Agoura or Picture City, Los Angeles County, asks that the Railroad Commission make its order authorizing applicant "to double its present water rates."

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

The Independence Acres Water Company is owned and operated as a co-partnership by I. Colodny and L.L. Colodny. The plant was installed by them about 1924 for the purpose of aiding in the sale of lots in Tract No. 8451, Los Angeles County. On April 18, 1927, the Railroad Commission issued its order in Decision No. 18250 granting to applicant a certificate of public convenience and necessity to operate a water system and charge the following schedule of rates now effective.

METER RATES

Monthly Minimum Charges:

For 5/8-inch meter-----	\$1.50
For 3/4-inch meter-----	2.00
For 1-inch meter-----	3.00
For 1 1/2-inch meter-----	4.50
For 2-inch meter-----	6.50

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following "Monthly Quantity Rates."

Monthly Quantity Rates:

0 to 500 cubic feet, per 100 cubic feet-----	\$0.30
500 to 1,500 cubic feet, per 100 cubic feet-----	.25
1,500 to 3,000 cubic feet, per 100 cubic feet-----	.20
3,000 to 5,000 cubic feet, per 100 cubic feet-----	.15
Over 5,000 cubic feet, per 100 cubic feet-----	.13

ooo

The water supply is obtained from a large pit approximately thirty-five feet deep and from one well which, because of the poor quality of the water, is used as a standby. In 1931 the active services numbered forty-four in May and thirty-four in December. All services are metered. The water is pumped directly into the distribution mains which consist of approximately 19,600 feet of pipe varying from five and one-half inches to three inches in diameter.

L.L. Colodny and Miss Bethel France, bookkeeper, presented testimony on behalf of applicant based on the accounts and records of the company purporting to show the capital invested and cost of operation. However, these witnesses were unable to segregate the various accounts from other and private enterprises of the owners of this water system or to properly substantiate their statements from the books. F.H. Van Hoesen, one of the Commission's hydraulic engineers, presented a report covering an appraisalment of the com-

pany's property as of June 20, 1932, based upon the historical cost of the water system and also a study of revenue and maintenance and operating costs. Following is a brief summary of the above testimony.

	<u>Applicant</u>	<u>Van Hoesen</u>
Estimated Cost	-	\$23,047
Book Cost	\$31,922	-
Reproduction Cost	18,379	-
Depreciation Annuity	-	651
Expenses - 1931	1,982	1,484
Expenses - future	-	780
Revenue from books - 1931	934	721
Revenue (computed) - 1931	-	824

The Agoura tract contains approximately three hundred acres of land, subdivided into three hundred and forty-one lots. The territory is very sparsely settled, as indicated by the fact that it requires 19,600 feet of pipe line to supply the thirty-five consumers now obtaining water service, or an average of five hundred and sixty (560) feet of pipe line for each consumer. The evidence shows conclusively that applicant's water supply is limited, depending entirely upon the yearly rainfall. For each of the past four years there has been a most serious shortage of water, due to the inadequacy of the main well which is nothing more than a large pit for the collection of seepage water. In 1931 the consumers were compelled to purchase water from an outside source in addition to paying applicant for the distribution thereof. Service has been intermittent and unsatisfactory, with no really serious or definite attempt on the part of the owners to relieve the situation, which requires an additional water supply and larger storage facilities. Both of the owners of this utility have been content to dispose of complaints against their continued

failure to live up to their obligations by stereotyped statements to the effect that they have neither funds for improvements nor the necessary control over local precipitation.

The testimony indicates that fair and ample allowance was made by the Commission's engineer for the cost of operating the water system. The owners of this utility apparently are still laboring under the delusion that, in addition to a reasonable allowance to cover the charges for labor, repairs and book-keeping, etc., they should also be entitled to a so-called "management fee" of six hundred dollars (\$600) per annum which amounts to a direct charge of one dollar and forty-three cents (\$1.43) per month against each consumer. The record does not disclose the nature of the services rendered for this so-called management fee, nor does it indicate in any way either the necessity therefor or the benefits derived therefrom by the consumers. In a water system as small as this one, serving only thirty-five consumers, such a demand obviously is absurd. The few consumers who have purchased lots in this subdivision and built homes thereon cannot be expected or required to pay an unreasonable price for water service to maintain and operate an excessively overbuilt plant, nor can they be expected to pay excessive rates for unsatisfactory service. (See Rogers, et al., v. Sacramento Valley West Side Canal Company, 7 C.R.C. 113.)

It appears that this utility is entitled to a slight readjustment in rates provided it can deliver any reasonably satisfactory class of service. However, its request to double its present rates would yield a revenue in excess of that to which it is fairly entitled. The evidence is conclusive that the present service rendered by this water works is so poor that it would be

unfair and unjust to charge the water users at this time any increase whatsoever for very frequently throughout the past few years a large number of the users have been wholly unable to obtain water for long periods of time and no increase in rates should be permitted until substantial and effective improvements to the system have been made. The present charges are at the extreme maximum limit of what the services as rendered are worth. The rates and schedules herein provided will yield this company a fair return upon that portion of its investment which could then reasonably be considered equitable. They are based upon a reasonable and adequate water service through the installation of improved facilities and will become effective only upon a satisfactory showing to this Commission that an additional water supply of not less than seventy-five hundred (7,500) gallons daily during summer and fall months has been obtained and also additional storage facilities of a minimum capacity of twenty thousand (20,000) gallons provided, so that the present deplorable conditions of water supply, poor pressure and interrupted deliveries can be eliminated, relieving the consumers in the future from the past constant and continuous annoyance from these sources.

O R D E R

Independence Acres Water Company, a co-partnership, 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, and

Basing this Order upon the statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that I. Colodny and L.L. Colodny, operating as a co-partnership under the firm name of Independence Acres Water Company, be and they are hereby authorized to file with this Commission, within thirty (30) days from the date of this Order, the following schedule of rates to become effective only upon compliance with the terms and conditions hereinafter set forth.

METER RATES

Monthly Minimum Charges:

5/8 x 3/4-inch meter-----	\$ 1.75
3/4-inch meter-----	2.25
1-inch meter-----	3.00
1 1/2-inch meter-----	5.00
2-inch meter-----	7.00
3-inch meter-----	15.00

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following "Monthly Quantity Rates."

Monthly Quantity Rates:

From 0 to 500 cubic feet, per 100 cubic feet-----	\$0.35
From 500 to 2,000 cubic feet, per 100 cubic feet-----	.30
From 2,000 to 5,000 cubic feet, per 100 cubic feet-----	.20
Over 5,000 cubic feet, per 100 cubic feet-----	.15

oOo

1. I. Colodny and L.L. Colodny, operating as a co-partnership under the firm name of Independence Acres Water Company, shall acquire and provide for this water plant an additional water supply of not less than seventy-five hundred (7,500) gallons daily, available during summer and fall months, and also shall install on this water system additional storage facilities of not less than twenty thousand (20,000) gallons in capacity, said improvements to be provided by said I. Colodny and L.L. Colodny and placed in operation in a manner acceptable to this Commission not later than the first day of July, 1933.

IT IS HEREBY FURTHER ORDERED that the above schedule of

rates shall become effective only upon authorization by the Railroad Commission through supplemental order.

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 December, 1932.

C. J. Devery

Leon Swihill

M. J. Lee

W. B. Harris

Fred G. Stensrud
Commissioners.