

Decision No. 10742.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CITY WATER COMPANY OF OCEAN PARK
for authority to increase its rates
for water supplied to the inhabitants
of the City of Venice and contiguous
territory.

ORIGINAL

Application No. 7100.

Le Roy M. Edwards, for applicant.
Ann Zeam, for industrial district.
G. P. Batten, in propria persona.
Charles W. Lyon and E. A. Garety,
for City of Venice.
George Walters, for certain con-
sumers.

BY THE COMMISSION.

O P I N I O N

In this proceeding the City Water Company of Ocean Park asks authority to increase the rates charged for water delivered to consumers in and in the vicinity of Ocean Park and Venice, Los Angeles County. The application alleges in effect that the present rates, which were established by Ordinance No. 569 of the City of Venice in 1915, do not produce sufficient revenue to yield a reasonable return upon the investment in the property. It is further alleged that at the time the present rates were established the costs of both material and labor were much lower than at the present time. The Commission is therefore asked that authority be granted for such increase in rates as is necessary

to yield a reasonable return upon the investment.

A public hearing in this matter was held before Examiner Williams at Venice. All interested parties were duly notified and were given an opportunity to be present and to be heard.

The water supply is secured from four wells, of 15 and 18 inches diameter and from 100 to 250 feet deep, equipped with electrically operated deep well pumps. The water is lifted from the wells into a concrete settling basin and reservoir and from the reservoir is then pumped into the mains by means of a booster plant. The transmission and distribution system consists of approximately 166,000 feet of pipe ranging from $1\frac{1}{2}$ to 10 inches in diameter, of which 43,500 feet is cast iron. Approximately 2,200 consumers are served, of whom about 1,300 are on metered services.

The present rates charged for water delivered to consumers may be briefed as follows:

METER RATES

From 0 to 2000 cubic feet, per 100 cubic feet. . .	\$0.15
Over 2000 " " " " " " "10
Monthly minimum charge	1.50

MUNICIPAL RATES

For water used through hydrants for fire fighting purposes, for each fire hydrant connected to mains of 4 inches diameter or larger. . . .	\$0.25
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FLAT RATES

An involved schedule of flat rate charges is in effect, a few of the charges being as follows:

For tenements occupied by a single family of not more than 3 persons, per month. . . .	\$1.00
For tenements occupied by a single family of 4 persons, per month.	1.25
For tenements occupied by a single family of 5 persons, per month	1.50
For tenements occupied by a single family of more than 5 persons, for each additional person over five	0.10

For bath tubs in residences, per month	\$0.25
For toilets in residences, per month	0.25
For stores, warehouses, butcher shops, halls, photograph galleries, printing offices, mar- kets, book binderies, blacksmith shops, per month.	1.00

(Owing to the great length of the flat rate schedule other charges are omitted.)

Mr. James E. Barker, on behalf of applicant, presented an appraisal of the water system, as of June 1, 1921, based upon historical cost, amounting to \$247,164.57 for operative property. Depreciation annuity, calculated by the sinking fund method, was given as \$7,024.22. Applicant also presented an exhibit which purported to show that revenues would have to be increased \$21,341.71 in order to cover maintenance and operating expense and depreciation annuity, and to provide an 8 per cent. return upon an investment of \$247,164.57.

Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, presented a report, based upon an investigation of the system, which set forth an estimated original cost of the operative property amounting to \$209,191; depreciation annuity, calculated by the sinking fund method, was given as \$5,219; and an estimate of reasonable maintenance and operating expense for the future was shown as \$35,038.

Testimony shows that certain items of capital expenditure may reasonably be added to the foregoing estimate of original cost, bringing the total to \$218,000. It was also shown that an installation of larger sized mains and other facilities is required to adequately supply consumers, and that this installation will be made during the year 1922 at an estimated cost of \$20,000. A careful consideration of all the evidence leads to the conclusion that the sum of \$238,000 is a reasonable total to be used as a

rate base for the purpose of this proceeding.

Testimony also shows that the soil in this locality has an unusually deteriorating effect upon pipe, and that the presence of very fine sand in the water causes pumping equipment to wear out in a very few years. It is evident therefore that the lives ordinarily assigned to structures on other water systems cannot be employed in this instance. An allowance of \$7,100 per year for depreciation annuity is reasonable and should be made.

Mr. Van Hoesen's estimate of maintenance and operating expense for the future, amounting to \$35,038, is reasonable and will be allowed.

Annual charges based upon the foregoing items are as follows:

Return at 8% upon \$238,000.	\$19,040
Depreciation annuity.	7,100
Maintenance and operating expense	35,038
Total	<u>\$61,178</u>

Operating revenues for the year 1919 were \$40,891; for 1920 were \$45,567; and for the first eleven months of 1921 were \$53,483. It appears however that the 1921 revenues include \$3,095 received from the sales of water to the City of Santa Monica and that no revenue from this source can be expected in the future. It is believed that the normal revenue for the entire year 1921 will be not far from \$55,000.

A comparison of the foregoing revenues and annual charges indicates that some increase in rates is justified. However, a study of the revenues received during the past few years shows a steady increase in the business of the utility and it is extremely probable that a further increase will occur in the future. In view of these conditions and the fact that the present schedule of rates is obviously poorly designed, it appears that the necessary increase in revenues should be secured by an adjustment and modification of the present schedule rather than through a flat increase

in rates. The schedule of rates set out in the accompanying order is therefore designed to do substantial justice to both the utility and the consumer, is established after a careful consideration of all pertinent evidence, and is intended to equitably distribute the cost of water among all classes of consumers. It is estimated that the schedule of rates so established will yield sufficient revenue to cover maintenance and operating expense, depreciation annuity and a reasonable return upon the investment.

O R D E R

City Water Company of Ocean Park, 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 City Water Company of Ocean Park, for water delivered to consumers in and in the vicinity of Venice, Los Angeles County, 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 such service.

And basing the order upon the foregoing finding of fact and upon the statements of fact contained in the foregoing opinion,

IT IS HEREBY ORDERED that City Water Company of Ocean Park be and the same is hereby authorized and directed to file with this Commission, within twenty (20) days from the date of this order, the following schedule of rates to be charged consumers, effective for all water delivered subsequent to April 30, 1922, or the meter reading period next preceding that date:

MONTHLY METER RATES

From	0 to	500	cubic feet,	per	100	cubic feet.	.	\$0.25
"	500 to	1000	"	"	"	"	"	0.20
"	1000 to	5000	"	"	"	"	"	0.15
Over	5000		"	"	"	"	"	0.10

MONTHLY MINIMUM CHARGES

For 5/8 inch meter	\$1.25
3/4 " "	1.75
1 " "	2.50
1 1/2 " "	3.50
2 " "	5.00
3 " "	7.50
4 " "	10.00
6 " "	15.00

MONTHLY FLAT RATE CHARGES

1. For residences of three rooms or less. \$1.00
 - For each additional room, either in residence or detached buildings. 0.10
 - For each bathtub 0.25
 - For each toilet. 0.25
 - For each private garage, with not more than one automobile 0.25
 - For each additional automobile 0.15

2. For apartment or flat buildings, when served through a single service:
 - For each living room, bedroom, kitchen or kitchenette. 0.15
 - For each bathtub or shower bath, used by occupants of separate apartments 0.25
 - For each toilet, used by occupants of separate apartments 0.25
 - For each public bathtub or shower bath 1.00
 - For each public toilet 1.00
 - For each public urinal 0.50
 - For each garage, with not more than one automobile 0.25
 - For each additional automobile 0.15

3. For Hotels or Lodging Houses:
 - For each room without running water. 0.15
 - For each room with running water 0.25
 - For each bathtub or shower bath, for use of occupants of not more than 2 rooms 0.25
 - For each toilet for use of occupants of not more than 2 rooms. 0.25
 - For each public bathtub or shower bath 1.00
 - For each public toilet 1.00
 - For each public urinal 0.50

4. For Restaurants, Eating Houses or Public Dining Rooms:
 - For each unit of seating capacity. 0.10

5. For Public Garages, with not more than 6 automobiles. 2.50
 - For each additional automobile 0.25
 - For each toilet. 1.00
 - For each urinal. 0.50

6. For Barber Shops:
 - Not more than two chairs 1.50
 - For each additional chair. 0.50
 - For each bathtub or shower bath. 1.00
 - For each toilet. 1.00

7.	For Bathing Establishments:	
	For each bathtub or shower bath.	\$1.00
	For each toilet.	1.00
	For each urinal.	0.50
8.	For banks, professional offices, billiard parlors, fraternal halls, clubrooms, churches, plumbing shops, and shops or stores not otherwise listed	1.00
9.	For drug stores, dental offices and photograph galleries.	2.50
10.	For bottling works, creameries, slaughter houses and laundries	5.00
11.	For blacksmith shops, machine shops, lumber yards, printing offices, bakeries, undertaking parlors, warehouses, grocery stores, butcher shops and large stores	2.00
12.	For Theatres:	
	Base rate.	1.50
	For each toilet.	1.00
	For each urinal.	1.00
13.	For soda fountains, ice cream parlors, or soft drink establishments, either alone or in connection with other business	2.50
14.	For Office Buildings:	
	For each office room with running water.	0.50
	For each toilet.	1.00
	For each urinal.	0.50
15.	For public drinking fountain	1.00
16.	For sprinkling or irrigation of lawns, gardens, shrubbery, etc., for each square yard actually irrigated.	0.005
17.	For Building Work:	
	For mortar and to dampen 1000 brick.	0.15
	For cement work, per barrel.	0.10
	For plastering, per 100 square yards	0.40
18.	For Steam Boilers:	
	According to size.	2.00 to 5.00
19.	For Barns, including one horse or cow.	0.25
	For each additional horse or cow	0.15
20.	For all uses not specified above, the meter rates are to be charged.	
21.	Meters may be installed upon any service at the option of the consumer or the utility.	

MUNICIPAL RATES

For Fire Hydrants:

Two-way fire hydrants, connected to mains
of 4 inches diameter or larger, per month. . \$1.00
One-way fire hydrants, connected to mains
of 4 inches diameter or larger, per month. . 0.75
All other fire hydrants, per month 0.50

All other municipal use to be charged for at
the meter rate.

IT IS HEREBY FURTHER ORDERED that City Water Company of
Ocean Park be and the same is hereby directed to file with this
Commission, within thirty (30) days from the date of this order,
rules and regulations to govern relations with its consumers,
such rules and regulations to become effective upon their ac-
ceptance by the Commission.

Dated at San Francisco, California, this 27th day of
March, 1922.

H. B. Duggan

Erving Martin

J. F. [unclear]
Commissioners.