

Decision No. ✓

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

Decision No. 1824

In the Matter of the Application of)
BALDWIN PARK DOMESTIC WATER COMPANY)
S.M. Walker, Proprietor, for authori-)
ty to Increase Rates and to Change)
Rules and Regulations.)

App. No. 747

Daniel M. Hunsaker for Applicant
Gail and Pence for Baldwin Park
Chamber of Commerce.

GORDON, Commissioner:

O P I N I O N

In this application Baldwin Park Domestic Water Company, which supplies water to inhabitants of the unincorporated territory of Baldwin Park in Los Angeles County, asks permission to raise the rates charged its patrons for domestic water and to alter its rules and regulations. The rates for domestic water now in effect are:

\$1.50 for 1,000 cu. ft. or less per month
\$.10 for each additional 100 cu. ft.

The rates which applicant desires to put into effect for domestic water are:

\$2.50 for 1,000 cu. ft. or less per month
\$.15 for each additional 100 cu. ft.

No change was requested in the rate for irrigation use, which rate is 2½¢ per hour inch.

The system which applicant is operating was constructed in 1911, at which time a well was drilled on the ranch owned by

Mr. Walker about one and one-fourth miles from the center of Baldwin Park. Applicant found that his well could furnish more water than he needed for his own ranch so he erected a 140,000 gallon steel tank and installed mains in order to serve the district of Baldwin Park. There are about 54 domestic consumers on the system, all of whom, with one exception, are metered.

Applicant submitted to the Commission an appraisalment of its public utility water property amounting to \$17,720.88. The Commission's hydraulic engineering department also made a valuation of these properties and found that the original investment, including overhead expenses, amounts to \$19,996.00. Deducting from this amount accrued depreciation of \$1558.00, the Commission's engineering department determined that the present value of the entire public utility property of applicant is \$18,438.00. This value is slightly in excess of that submitted by applicant. The difference is due chiefly to applicant's failure to include in his estimate overhead expenses properly chargeable to capital account.

The Commission's engineering department has estimated applicant's annual operating expenses to be as follows:

Superintendent at \$40 per month,	-	\$480.00
Office Expense " \$15 " "	-	180.00
Fuel \$50 " "	-	600.00
Oils, waste, etc.	-	38.00
Repairs to pump, engine, etc.	-	87.00
Legal advice	-	50.00
Taxes	-	112.00
		<u>\$1,547.00</u>

The operating expense submitted by applicant includes an item to compensate the services of one man devoting his entire time to the care of this system. Upon investigation, however, I find that it is not necessary for Mr. Walker to have one man devote his entire time to this service, but that it will be entirely sufficient, and that it has been the practice in the past,

to have one man devote but half of his time to the care of the water system and the remainder of his time in employment upon Mr. Walker's ranch. The saving which will result from charging to the water utility only one-half of the salary to be paid this employee of Mr. Walker's constitutes practically the entire difference between the aggregate annual operating expense estimated by this Commission's engineering department and that submitted by applicant.

The revenue received by the applicant for the year ending September 1, 1913, was as follows:

From metered service	12 months	-	\$1,265.00
" flat rates,	12 "	-	22.00
" irrigation	12 "	-	1,241.00
		Total -	\$2,528.00

The Commission's engineering department has estimated applicant's proper operating expense to amount to \$1547.00. If to this is added \$879.00 as a proper allowance for depreciation, and \$1290.66 which represents a 7 per cent return upon the valuation found by the Commission we have a sum of, approximately, \$3700.00 which this property, when operated to full capacity, should return as annual income. It is apparent, therefore, that some change must be made in applicant's rates.

As at present constructed, however, applicant's system has the capacity to serve a much greater amount of water than is now being supplied. The system is more than adequate to supply present needs and was obviously constructed with a view to the development of the community and the supply to an increasing number of consumers as time continues. Baldwin Park is a comparatively new community and will unquestionably rapidly develop and become more thickly settled. For this reason I feel that the present consumers of applicant's system should not be charged

with the burden of returning to applicant a full return upon the entire investment which applicant's system represents. While I shall recommend an increase in the existing rates, the rates so fixed will not return to applicant a full 7 per cent upon the valuation found by the Commission. As additional consumers are supplied by applicant, however, the amount of income will be increased, so that while I feel that the existing consumers should not be required to return an adequate revenue upon the entire investment I have no doubt that in the very near future the number of consumers will have so increased that applicant will receive an adequate revenue upon the entire investment by charging the rates fixed in this proceeding. I recommend that applicant be allowed to put into effect the following rates for water supplied for domestic use:

\$1.50 per month minimum for 600 cu. ft. or less
0.15 per 100 cu.ft. for the next 1,400 cu. ft.
0.10 per 100 cu.ft. for all excess above 2,000 cu.ft.

As mentioned before, applicant has not requested an increase in the present rate of 2 $\frac{1}{2}$ ¢ per miner's inch for water served for irrigation use. This rate will, therefore, remain unaltered.

Applicant has also asked for authority to change its rules and regulations. In the decision of the Commission in Case No. 423, Baldwin Park Chamber of Commerce vs. Baldwin Park Domestic Water Company, this Commission made an order requiring Baldwin Park Domestic Water Company to install meters and service connections free of cost to ^{domestic} ~~the~~ consumers under the conditions named in that order, and also to abrogate the regulation requiring consumers to sign a ten-year contract. These two regulations are those concerning which most of the dispute has arisen. The subject of these two regulations has been settled in the decision of the Commission in Case No. 423. I shall, accordingly, recom-

mend no order establishing rules and regulations in the present proceeding except that I recommend that the applicant be required to submit to the Commission for its approval within thirty (30) days from the date of this order a set of rules and regulations consistent with the rates established in this proceeding and with the order of the Commission made in Case No. 423.

I submit the following form of order:

O R D E R

BAWDWIN PARK DOMESTIC WATER COMPANY having applied to this Commission for authority to increase its rates and to establish new rules and regulations governing the service of water in Baldwin Park, Los Angeles County, California, and a public hearing having been held thereon,

THE COMMISSION HEREBY FINDS AS A FACT that the following are just and reasonable rates for applicant to charge for the supply of water for domestic use in Baldwin Park:

\$1.50 per month minimum for 600 cubic feet or less.
0.15 per 100 cu. ft. for the next 1,400 cubic feet.
0.10 per 100 cu. ft. for all excess above 2,000 cubic feet.

AND APPLICANT IS HEREBY AUTHORIZED to put into effect, on and after October 1, 1914, the rates above mentioned for the supply of water for domestic use in Baldwin Park.

IT IS FURTHER ORDERED that within thirty (30) days from the date of this order applicant submit for the approval of this Commission a set of rules and regulations governing the supply of water used in Baldwin Park, which rules shall be consistent with the rates fixed herein and the order of this Commission made on the 24th day of September, 1914, in Case No. 423, Baldwin Park

Chamber of Commerce v. Baldwin Park Domestic Water Company.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 24th day of September, 1914.

W. H. Woodland
W. G. Gordon
Mar. Thelen

Commissioners.