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Decision No. ✓

ORIGINAL

Decision No. 3017

BEFORE THE RAILROAD COMMISSION OF  
THE STATE OF CALIFORNIA.

In the matter of the application	)	
of THE LA HABRA DOMESTIC WATER	)	<u>Application</u>
COMPANY, a corporation, for an	)	
increase of rates to be charged	)	<u>No. 1856.</u>
for its water sold the public.	)	

Albert Lauener for applicant.

BY THE COMMISSION.

O P I N I O N

LA HABRA DOMESTIC WATER COMPANY by this application seeks authority to establish the increased schedule of rates shown herein.

Applicant was incorporated about three years ago with a capital stock of \$20,000, divided into 400 shares of the par value of \$50 each, of which 55 shares have been issued, all sold at par. It is engaged in purchasing and distributing water for domestic uses to the inhabitants of La Habra, in Orange County. It has never paid any

dividends. It has no bonded indebtedness nor any liens upon its property. It is indebted in the sum of \$1,870 for money borrowed at the bank and about \$300 on open account.

It purchases water at present from the Whittier Water Company at the rate of five cents per one hundred cubic feet, which is the same rate charged by said Whittier Water Company to its other water users.

Applicant owns 15 shares of the capital stock of the La Habra Water Company, a mutual organization for distributing water pumped from the San Gabriel River and conveyed in pipes to La Habra, where it is distributed ratably to its stockholders in proportion to their stock holdings and used generally for irrigation purposes. Each 10 shares of stock under the by-laws of said company entitles each user to 30 inches of water for a continuous flow of 24 hours once a month. Applicant, owning 15 shares of such stock, would be entitled to a flow of 30 miners inches for 36 hours once a month. Its president expressed the opinion that arrangements could probably be made to take half the quantity of water twice a month, if suitable arrangements can be made for its storage. Applicant is not able to use any of its stock in the La Habra Water Company for the reason that it owns no storage facilities, and the demands of its customers require daily continuous

service. The water represented by this stock is at present used by the Whittier Water Company under an arrangement with applicant effective June 1, 1915, by which Whittier Water Company pays the maintenance assessments levied by La Habra Water Company, which assessments usually amount to \$20 per year per share, but which last year, because of an extra assessment, amounted to \$337.50 upon the 15 shares. Applicant has made no effort to procure a better disposition of the use of its said water, and expresses the opinion that a better disposition can not now be made, as there is at present no sale for such stock, and but a limited market for it. Sales have been made at prices ranging from \$125 to \$175 during the last two years. These 15 shares were purchased by applicant at various times at prices averaging \$135 per share.

Applicant has 106 users and 30 stockholders. It charges a flat rate of \$1.50 per month to those who are not stockholders, and to stockholders \$1.00 per month. It pays to its stockholders as "rental" 50 cents per share per month in cash, or credits the accruing "rental" upon their water bills. Under its practice one share of stock entitles the holder to receive water at the \$1.00 rate. Each stockholder "renting" stock to the company is therefore receiving from the company 12 per cent. per annum upon an investment of \$50. per share.

Some arrangement should, if possible, be made by applicant through which it may cease giving the use of its water represented by stock in La Habra Water Company with no return upon its investment, and at the same time allowing its stockholders twelve per cent. upon their investments. The practice of paying stockholders 50 cents per month per share as rental seems to have originated from the erroneous idea that applicant's stockholders should be treated like those of a purely mutual organization, although its water is distributed at discriminatory flat rates to its stockholders and others, and not in proportion to its shares of stock. Applicant is organized as a private corporation for profit.

Applicant's property consists principally of a system of distributing pipes for conveying water taken originally from the pipes of La Habra Water Company and since about June first, last, from the pipes of Whittier Water Company. Applicant submitted at the hearing an inventory and appraisal of materials, but not including the cost of labor of installation. Its records are not sufficiently complete to enable a determination to be made as to the exact original cost of its system. From such records as are available and a careful examination by Mr. H. F. Clark, one of the assistant hydraulic engineers of the Commission, the following estimate of cost new of applicant's property, including therein a suitable allowance for overhead expense which

was not actually incurred, and including property and labor donated, has been made:

Water stock .....	\$2,030.
Pipe system .....	5,616.
Valves .....	359.
Meters .....	184.
Services .....	481.
Office records .....	50.
Franchise .....	80.
Total .....	\$8,800.

La Habra is a new community apparently growing rapidly. It seems probable that new services will be frequently added. The estimated revenue from the present 106 services, based on the rates provided in the order, is as follows:

From 106 services at the minimum of \$1.50 500 cu. ft. for 12 months .....	\$1,908.
Excess estimated at 100 cu. ft. for 6 months .....at 20¢ .....	127.
Total .....	\$2,035.

Estimated maintenance and operation expense, including allowance for a new salary to cover superintendence, with cost of water based upon the consumption of the past year with an unmetered service, and including annuity to cover depreciation, is as follows:

Annuity .....	\$116.87
Water purchased .....	635.00
Repairs .....	100.00
Taxes .....	47.19
Office supplies .....	18.65
Clerk .....	120.00
Auditor .....	10.00
Superintendence .....	480.00
Total .....	\$1527.71

Applicant requests authority to establish rates for metered service of \$2.50 minimum for the first 6,000 gallons and ten cents per 100 cubic feet for excess and four cents per 100 gallons for water sold in tank loads, that it may raise from its water users in the rates of one year enough to pay for metering its system, beside taking care of the usual cost of maintenance and operation. This course cannot be approved. The cost of installing meters is a capital charge. Applicant has received offers from a reliable meter company to install meters for it and receive pay therefor by monthly payments. The discrimination in rates between stockholders and other consumers should be removed. Returns to stockholders upon their investment should come through dividends earned rather than through a discrimination in rates, or the practice above referred to of allowing "rentals".

The use of water for the past year has been about 1,000 cubic feet per service per month. Similar communities using metered service usually consume an average of from 600 to 700 cubic feet per month. Apparently metering the system will reduce applicant's bill for water from 30 to 40 per cent. and fully justify such a course. It can be financed by borrowing money temporarily or investing its earnings or by better utilizing its stock in the La Habra Water Company. Applicant is not under

any expense for superintendence at present and such expense, while properly allowed for in the rates, need not be actually incurred for some time. It is hoped the growth of the community and the advantages of metered service will in time justify a lower rate, while affording stockholders an ample return.

After a careful consideration of the evidence produced at the public hearing at La Habra, we have concluded to authorize the rates set forth in the following Order.

#### O R D E R

LA HABRA DOMESTIC WATER COMPANY having applied to this Commission for authority to increase its rates for water served to the inhabitants of La Habra, and a public hearing having been held thereon, and the matter being now ready for decision,

The Commission hereby finds as a fact that the following are just and reasonable rates for applicant to charge for water served to the inhabitants of La Habra for water for domestic use at the present time.

\$1.50 per month for the first 600 cu.ft.  
.20 per 100 cu.ft. for the next 400 cu.ft.  
per month.  
.15 per 100 cubic feet for all over 1,000  
cu.ft. used per month.

Applicant is hereby authorized to put the  
above described rates into effect on or before  
February 15, 1916, and/ to install before that time  
a meter upon each of its services upon its system.

Dated at San Francisco, California, this 30th  
day of December, 1915.

Max Helen

H. D. Loveland

Frank R. DeWitt

Commissioners.