

Decision No. \_\_\_\_\_

ORIGINAL

Decision No. 3085

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application  
of BELL WATER COMPANY for an order  
authorizing an increase in the  
rates for water furnished in Bell,  
Los Angeles County.

)  
)  
) Application No. 1983.  
)

A. B. Shaub for applicant.  
J. H. McEldowney for protestants.

BY THE COMMISSION.

O P I N I O N.

This is an application on behalf of Bell Water Company for an order authorizing an increase in the rates of water furnished to the unincorporated district of Bell, Los Angeles County, from the minimum of \$1.25 for 1,250 cubic feet or less per month to a minimum of \$1.50 per month for 1,250 cubic feet or less per month. The company charges five cents per 100 cubic feet in excess of the minimum.

A public hearing was held in Los Angeles on December 17, 1915, at which a large number of protestants appeared. At the close of the hearing the matter was submitted upon briefs to be filed by the applicant and the protestants. These briefs have now been filed and the matter is ready for decision.

From the evidence it appears that the Bell Water Company was organized by real estate promoters in 1902 for the purpose of furnishing water to the Bell Tract, consisting of 350 acres, situated six or seven miles southeast of the center of Los Angeles and about one and one-half miles from the city limits.

The promoters were J.G. Bell, Susan A. Bell, F.R. Bear, M.E. Bear and A.E. Bell. At the time of the organization of the company they owned and turned over to the corporation the two wells now in use by the company and also the domestic pipe lines that were installed over the greater portion of the tract, in exchange for which they took a total of 700 shares of stock in the Bell Water Company of the par value of \$25.00 each. In selling off the land they gave each purchaser free of extra cost two shares of stock in the company for each acre purchased. Thus when the land was all sold the owners of the various parcels of land became the owners of the stock, and at the present time the said original promoters own no stock at all in the company.

Shortly after the community began to settle it was found that the service was poor, the pipes being too small and the pumping machinery being in bad order. Accordingly, it became necessary for the company to purchase new machinery and make other improvements. This necessitated the levying of assessments. Numerous stockholders failed to pay their assessments and at delinquent sales, there being no purchasers, their stock reverted to the company's treasury.

After having passed through a most troubled existence and after having levied assessments totaling \$38.00 per share upon stock whose par value was and is \$25.00 per share, the company now has but 423.26 shares of stock outstanding out of

a total original issue of 1,000 shares, all but 12 of these outstanding shares being held by the company's consumers or by owners of land within the district served by the company and no one individual owning more than twenty-four shares.

As above stated, the company has two wells: the first, designated as No. 1, was equipped but found inadequate; the second, designated as No. 2, situated about half a mile south of No. 1, has, however, proved satisfactory.

A tract known as Laguna Bell Tract, consisting of approximately 100 acres adjoining the Bell Tract was piped and put on the market by the Laguna Land and Water Company in 1913. Having no water of its own, the latter company equipped the old well at plant No. 2 with an adequate motor and pump at an expense of \$1,267.00, upon an agreement that applicant would render the same service at the same rates to the residents of Laguna Bell Tract as to the residents of the Bell Tract, for a period of ten years, in consideration of which all pipes, motors, pumps and appurtenances were to be turned over to applicant free of charge at the end of that time. There are at present only ten residents in the Laguna Bell Tract and the water does not circulate through the system, the result being that the water in this tract has a distinct odor and taste. Cross connections with the Bell pipe system would partially remedy this trouble, and we understand that the company intends to install these cross connections in the near future.

An examination was made of applicant's entire plant by Mr. H. F. Clark, assistant engineer in the hydraulic department of the Railroad Commission. He found the domestic system of the Bell Water Company to be composed of:

|               |                     |
|---------------|---------------------|
| 1" pipe.....  | 1,100 lineal feet,  |
| 1½" pipe..... | 2,700 lineal feet,  |
| 2" pipe.....  | 14,000 lineal feet, |
| 2½" pipe..... | 1,300 lineal feet,  |
| 4" pipe.....  | 4,850 lineal feet,  |
| 6" pipe.....  | 3,100 lineal feet,  |
| 8" pipe.....  | 3,200 lineal feet,  |

Total..... 29,150 lineal feet.

This does not include any of the pipe in the Laguna Bell Tract or any of the irrigation pipe. All of the services are metered with the ordinary 5/8" meter. There are 215 meters installed but only 195 are at present producing revenue. These meters and the service connections were installed at the expense of the consumers.

The company stores the water for its domestic system in two tanks, one of 20,000 gallons and one of 60,000 gallons capacity. These tanks are at the same elevation and are connected by an eight inch riveted steel pipe. The available pressure on the tract's higher elevations is twelve pounds under the best conditions and at the lower elevations it is correspondingly higher.

As may be seen from the foregoing figures the two inch pipe predominates. The pipes are too small to provide for much future growth, but apparently there is no serious complaint as to pressure at present. Several dead ends exist, however, all of which should be connected in a circulating system.

The irrigation pipes are of considerably larger diameter than those used for the domestic service and have little pressure upon them, not exceeding seventeen pounds per square inch. The irrigation system consisting of the following:

|               |                    |
|---------------|--------------------|
| 10" pipe..... | 450 lineal feet,   |
| 12" pipe..... | 5,750 lineal feet, |
| 14" pipe..... | 6,150 lineal feet, |

Total.....12,350 lineal feet.

There are forty-one outlets attached to these irrigation mains. As the mains in general are located beneath the sidewalk strip, some of the outlets interfere with pedestrian travel.

The irrigation water is sold at the rate of \$1.25 per hour for the full discharge of the pump. The flow of well No. 2, from which all the water is now pumped, is about 100 miner's inches, but the supply varies somewhat with the lift. From the evidence introduced at the hearing it appears that the actual cost to the company of running the pump without any charge for overhead expense, depreciation or interest, is approximately \$1.20 per hour and accordingly the price charged for water for irrigation purposes is unremunerative.

The pumping equipment installed by the Laguna Bell Tract is now used by applicant to pump water for all its consumers, as water can be pumped more cheaply at plant No. 2 than at plant No. 1.

Mr. Clark's estimate of the original cost new of applicant's plant is as follows:

| <u>Item.</u>                               | <u>Estimated Cost New.</u> |
|--|----------------------------|
| Real Estate at plant # 1 . . . . .         | \$ 500                     |
| Pump house at plant #1 . . . . .           | 83                         |
| Well at Plant # 1. . . . .                 | 2243                       |
| Pumping equipment at plant # 1 . . . . .   | 2560                       |
| Tank and tower at plant # 1. . . . .       | 550                        |
| Tank and tower at plant # 2. . . . .       | 1100                       |
| Well at plant #2, 1350 feet deep . . . . . | 5000                       |
| Distribution pipe lines . . . . .          | 7825                       |
| Miscel. equipment, tools, etc . . . . .    | 315                        |
| Franchise cost to date . . . . .           | <u>130</u>                 |
| Total . . . . .                            | \$20306                    |

No other engineer's appraisal was offered in evidence by either applicant or the protestants.

From this we find the estimated cost new of the

above mentioned items of the water system to be \$20,306.00, irrespective of all portions of the water system used exclusively for irrigation purposes, the estimated cost of which latter we find to be \$10,437.00. We further find the reasonable maintenance and operation expenses of the company for the year 1915 to have been approximately as follows:

|   |               |
|---|---------------|
| Superintendent.....                     | \$ 605.00     |
| Power.....                              | 600.00        |
| Oils.....                               | 5.73          |
| Repairs to pumping equipment            | 45.17         |
| Repairs to pipe lines.....              | 191.75        |
| Repairs to meters.....                  | 9.60          |
| Collecting.....                         | 363.20        |
| Secretary and book-keeper's salary..... | 170.00        |
| Supplies and printing.....              | 113.34        |
| Railroad Commission.....                | 6.15          |
| Insurance.....                          | 15.30         |
| Taxes.....                              | <u>294.66</u> |
| Total.....                              | \$2419.90     |

The water company's receipts for last year were approximately as follows:

|   |               |
|---|---------------|
| From domestic service.....                              | \$3129.44     |
| From irrigation service....                             | 384.59        |
| Paid by consumers for meters and service connections... | <u>167.78</u> |
| Total.....  | \$3681.81     |

From the above statement it is evident that, deducting the sum received for meters and service connections, we have \$3,514.03 which represents the total revenue received for water furnished consumers. Deducting from this the operating expenses above set forth, we have left the sum of \$1,094.13 for interest and depreciation account. This amount would barely equal the annual depreciation charge for applicant's entire plant, to say nothing of any allowance for interest upon the investment. However, while applicant is voluntarily furnishing water for irrigation purposes at a rate which barely covers the actual operating cost of pumping, we should not impose a burden upon the rest of the system by requiring the

domestic portion to pay the entire interest and depreciation charges upon the irrigation plant.

For the purposes of this application we shall, accordingly, consider only that portion of applicant's plant used and necessary for its domestic service, although we are by no means holding that each portion of applicant's plant must necessarily produce a proportionate share of the total profit.

From the evidence we figure that the actual operating cost of pumping for irrigation purposes during the year 1915 (including power, lubricants, labor, etc) was \$369.00. In order to ascertain the operating expenses for the domestic service we shall deduct this amount from the total reasonable operating expenses for said year, which leaves a balance of \$2,050.90 as the reasonable operating expenses necessary for the domestic portion of applicant's plant. Deducting this from the revenue received from applicant's domestic service we have a balance of \$1,078.54. From Mr. Clark's report we find that the sum of \$475.15 should be allowed each year for depreciation of the domestic service portion of the plant, figuring the depreciation upon the sinking fund basis. This leaves us a balance of \$603.39 per year representing approximately 3% interest upon the domestic portion of applicant's plant under the present rates.

If the application is granted the water company will receive an increased revenue of \$3.00 a year from each of its 196 consumers (providing the number of its consumers remains the same), which will yield the company a total annual increase of \$588.00, allowing it to earn a total of approximately 5.9% interest upon its investment.

Applicant has stated that it is the company's intention to buy all the meters and service connections that its

customers have installed at their own expense and that if granted this increase it will buy all of such meters and service connections from its customers by crediting such of its customers as have installed such equipment the sum of twenty-five cents per month for thirty-six months.

Now, obviously, this Commission would not permit a public utility to charge rates high enough to enable it to buy meters and install service connections out of its earnings and at the same time make enough additional profits to pay its operating expenses, depreciation and a proper interest on its investment; but on the <sup>other</sup> hand the company will, if the proposed increase is granted, be earning less than 6% interest per year upon its investment, and, accordingly, if it desires to devote part of this 6% interest to buying meters or to any other capital investment rather than to declare the same in dividends, naturally this Commission will not prevent its doing so.

Protestants, both at the hearing and in their briefs, raised numerous objections to the proposed application, some of which were purely technical and some of which went to the merits of the application; but we find that none of these objections should prevent the granting of the application.

Protestants objected to the hearing of the application at all on the two following grounds, to-wit:

"First. Rule X (of the Railroad Commission) required that 'notice of the date and hour of the formal case shall be served at least ten days before the time set therefor'. In this case the hearing was set for December 17th and the notices served on the 11th, which was Saturday.

"Second. Rule VII requires 'that in addition to complying with the provisions of Rule III applicant shall submit the following data:

"3. A schedule of the present rates, and the increase which it desired to make.

"4. A description of applicant's property together with an inventory or appraisal of the same, including a statement of the original cost of the property, and the cost thereof to applicant.

"5. A statement in full of the reason why the increase is desired."

Protestants then state that the applicant in the present case failed to comply with each and every subdivision cited.

As to the first objection, protestants' attorney failed to distinguish between a "formal case" and an "application". If he had quoted the next sentence of Rule X, paragraph 2, his quotation would have concluded with the provision:

"that hearings upon formal applications shall be set as deemed necessary by the Commission."

The matter before us is an application, not a case.

As to the second point, the provisions set forth in Rule VII are made for the benefit of this Commission and not for the benefit of protestants, and moreover, as applicant has throughout shown an entire willingness to furnish both this Commission and the protestants any information asked for there is no question but what protestants' rights have been fully protected in this proceeding.

Protestants have furthermore taken exception in their briefs to several portions of Assistant Engineer Clark's report. We have examined this report in detail and have found the same to have been carefully compiled, and we find the valuation therein made to be conservative and if anything more favorable to the consumers than to the water company. Protestants were given ample opportunity not only to cross-examine Mr. Clark at the hearing, but they were, by express order of the Commission, given permission to have an engineer of their own, after examining the property, file his report which the Com-

mission consented to receive in evidence and to give the same weight as if it had been filed at the hearing. Protestants have failed to file such a report and apparently have not had applicant's plant examined by an engineer, but have simply attacked Mr. Clark's report without properly understanding it.

Under all the conditions of this case we feel that applicant is entitled to at least as large an increase in its gross operating revenues as it would receive if its application were granted; but we are adverse to having any company, under similar conditions, increase its revenue simply by increasing its minimum charge. Applicant's revenue should be increased not by imposing a greater burden upon those who at present use far less than the minimum but by requiring those who use the larger quantities of water to pay accordingly. After a careful examination of applicant's receipts for the last year, we believe that under the rates authorized in the following Order applicant's receipts for next year would be as large as they would have been if the application had been granted; the charges will also be made upon a much fairer basis, and the minimum will still be large enough to permit the smaller consumers to remain within it.

It should be noted that in this Opinion we are not granting applicant any interest or depreciation allowance upon the following property:

The distributing system in the Laguna Bell Tract.

The pumping equipment at plant No. 2.

The meters and service connections throughout applicant's entire system.

Applicant's irrigation mains, which total 12,650 feet.

