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

ORIGINAL

Decision No. 3889

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

In the matter of the application )  
of CROWN WATER COMPANY for an or- )  
der authorizing an increase in )  
water rates. )

Application

No. 2349.

J. Russell Gilman for applicant.

BY THE COMMISSION.

O P I N I O N

This is an application by CROWN WATER COMPANY for an order authorizing an increase in rates charged for water sold by petitioner in the vicinity of Perry, near Gardena, in Los Angeles County.

Applicant now charges its consumers for domestic service \$1.00 per month, and for irrigation service \$1.00 per hour's run of the pump to stockholders, and \$1.50 to non-stockholders. Applicant asks that the rate be placed at \$2.00 per hour's run of the pump for irrigation use and \$1.50 per month for each consumer of domestic water.

A public hearing in this proceeding was held at Los Angeles on July 28th and a supplemental hearing on September 12, 1916. Evidence was given by consumers and by the president and the secretary of the company.

An appraisal of the property was presented by Milo H. Brinkley, one of the Commission's engineers. This was the only appraisal which was placed in evidence at the hearings. In this estimate the figure for reproduction cost was \$4,842. and the annual depreciation, five per cent. sinking fund, amounted to \$91. According to his testimony the reproduction cost less depreciation was approximately fifty per cent. of the reproduction cost.

A report on maintenance and operating expenses, also a report on the history of the company, were submitted at the supplementary hearing by R. A. Pabst, assistant auditor for the Commission.

The Crown Water Company is the successor of a corporation which forfeited its charter in 1911 for failure to pay state corporation license tax. The present stockholders of the company were at that time consumers of the company and formed a new corporation for the purpose of taking over the property. In order to do this it was necessary to levy an assessment of seventy (70¢) cents per share on nine hundred and forty-four (944) shares of issued stock, thereby raising the sum of Six Hundred and sixty (\$660.) Dollars. Of this amount approximately \$500. was spent in additions and betterments. This amount represents the total investment of

the present stockholders in the Crown Water system.

Since 1911 the collections of the company from the sales of water have been insufficient to pay the operating expenses. In fact, at the present time the company is in debt approximately \$500. for services heretofore rendered, for which they are unable to pay.

The following tabulation gives the operating revenue and expenses for the periods shown, considering all rates as having been paid in full.

	<u>1915</u>	<u>First seven Months of 1915.</u>
Operating revenue .....	\$1,495.35	\$670.69
Operating expenses .....	<u>1,101.93</u>	<u>630.62</u>
Net revenue .....	\$ 393.42	\$ 40.07

Some of the revenue shown in the above tabulation has not been collected and the books of the company show an actual deficit for these periods, but with proper rules and regulations the uncollected portion should be reduced to a minimum in the future.

If we take into consideration both the appraisal of the Commission's engineers and the investment of the present company in the property, it is believed that a fair rate can be established by giving applicant its maintenance and operating expenses and depreciation, and interest on the sum of \$1,500. In estimating the proper depreciation, however, a new calculation has been made by the straight line method on account of the necessity for an adequate depreciation reserve.

Allowing eight per cent. on the sum of \$1,500, adopting the cost of operation in 1915 as the probable future cost and taking the annual depreciation by the method stated above, we arrive at the following gross annual charges:

Eight per cent. interest on \$1,500.	\$120.00
Operating Expenses and taxes .....	1102.00
Depreciation .....	<u>174.00</u>
Total .....	\$1396.00

According to the evidence, applicant's total collected and uncollected revenue for the first seven months of 1916 amounted to \$670, which is a considerable decrease of revenue below the same period for 1915. On this basis, it is probable that the revenue for 1916 will not amount to more than \$1,100. with the present rates in effect. It is evident that an increase of rates will be necessary to produce the annual charges noted above. We believe that a rate of \$2.00 per hour's run of the pump for irrigation use and \$1.25 per month per consumer for domestic service will produce the required revenue.

Complaints concerning the quality of the domestic water were made by consumers but the company has made the plea that its revenue has been insufficient to pay for proper results in operation. It is expected that with the increased rates set out in this order, the company will have the means to give adequate service and the rates herein will be established with the reservation that should service be inadequate the increased rate will not apply.

Applicant should be required to provide and file with this Commission adequate rules and regulations governing service.

### ORDER

Application having been made by CROWN WATER COMPANY, requesting that its rates for the service of water be fixed, and a public hearing having been held and the Commission being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT BY THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA that the rates now charged by applicant, insofar as they differ from the rates hereinafter in this order set out are unjust and unreasonable and that the rates set out in this order are just and reasonable rates to be charged by applicant to its consumers for water.

Basing its order on the foregoing findings of fact and the further findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that applicant may file with this Commission the following schedule of rates, said rates to become effective October 1st, 1916:

\$2.00 per hour's run of the pump for irrigation use.  
\$1.25 per month per consumer for domestic service.

The rate per hour's run is based on a pumpage of 52,500 gallons.

IT IS HEREBY FURTHER ORDERED that within the period of fifteen days from the date of this order applicant file for the approval of this Commission rules and regulations governing its service of water.

Dated at San Francisco, California, this 21st day of November, 1916.

H. S. Boardman  
W. G. ...  
Frank R. ...

Commissioners.