

Decision No. 6183

ORIGINAL
RECORDED

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application)
of LOS ANGELES COUNTY WATER WORKS)
COMPANY for an order authorizing an) Application No. 4220.
adjustment and increase in water)
rates.)

Wm. Medland for Los Angeles County
Water Works Company.

LOVELAND, Commissioner.

O P I N I O N.

Los Angeles County Water Works Company, a corporation, engaged in the business of distributing and selling water for domestic and irrigation purposes in the so-called "Shoestring Strip" within the City of Los Angeles and the unincorporated territory adjacent thereto, which includes the Town of Gardena, asks authority to adjust and increase the rates charged to its consumers.

Applicant alleges that due to the unusual conditions brought about by the war and still obtaining, the cost of labor and material has advanced to such an extent that the existing rate is not sufficient to meet the operating expenditures and provide for depreciation and a reasonable interest on the investment.

A public hearing was held in this proceeding at Los Angeles on December 12, 1918.

The Company was originally incorporated as the Strawberry Park Water Company and operated under a franchise granted by Los Angeles County, delivering water for domestic and irrigation use within subdivided tracts which were then being placed on the market. In 1909, the Los Angeles/^{County} Water Works Company was

incorporated and the franchise transferred to it. In 1913, Mr. Wm. Medland purchased the stock/ and has operated it since that time.

There is stock outstanding to the amount of \$250,000, all of which is held by Mr. Medland, except the qualifying shares. The bonded indebtedness of the present corporation is \$40,000.

The rates in effect are as follows:

METER RATES.

900 cubic feet or less,-----	\$1.25
900 to 2000 cubic feet, per 100 cu.ft.,-----	.14
Over 2000 " " " " " "-----	.10
Domestic flat rate for houses with less than 1/4 acre of land,-----	1.50

These rates were in effect when applicant took over the system and Mr. Medland testified that he had no knowledge as to the basis on which they were established. There are about 700 consumers, of which 390 are metered. It is suggested that the system be completely metered, as this has the effect of preventing waste and excessive use, which cannot be controlled where consumers are on a flat rate. The Company also operates an irrigation system consisting of a separate well and pumping plant, with flume, conduits and hydrants, all operated independently of the domestic system. The charges for irrigation are \$1.25 an hour for the capacity of the pump, which is 120 miner's inches.

The water is pumped for both domestic and irrigation purposes from two wells, the domestic water being stored in a concrete tank, from which it is distributed to the consumers. The irrigation water is taken directly from the pump. Another

well has been drilled by applicant to supply the domestic water, as the earthquake of last summer damaged the present well so that it could not be depended on to yield large quantities of water. An extra pump owned by applicant will be installed in the old well and this plant will act as a standby unit for emergencies.

The territory served by the domestic supply is principally a residential district with a small business center in Gardena and is fairly well built over. Being originally a real estate project, it covers more area than would result from normal growth and is capable of considerable internal development. Nearly one half of the lots in the area served are occupied. The irrigation system serves small tracts which are intensively farmed and are more compactly located than the services on the domestic system.

A field investigation and appraisal of the Company's property was made by the Commission's engineers and it was found that the estimated reproduction cost new (using normal pre-war prices) for both domestic and irrigation system, amounted to \$83,514. The sinking fund annuity on this sum, computed on a 6% basis, is \$1,444.

In view of the fact that not one half of the lots in the area are occupied, due to over-extension, it is not fair to charge the total estimated cost of the system against the present consumers. A return on \$75,000 is a fair allowance to appear in the annual charges.

A careful examination was made of the maintenance and operation expense, as set out in applicant's annual report, and all charges were found to be correct and properly charged with the exception of a few items in 1918, which have been

deducted as properly chargeable to capital. A tabulation of this expense follows:

	1915	1916	1917	1918
Operating labor and expense,	\$ 4,234.31:	\$ 3,115.06:	\$ 3,713.84:	\$ 4,199.00
Repairs to operating capital,	513.03:	:	:	304.00
Repairs to dist. and trans. capital,	:	:	21.90:	8.00
Collections, etc.,	318.73:	319.60:	738.80:	508.00
General expense,	2,946.45:	3,169.33:	3,107.66:	2,760.00
Taxes,	338.16:	504.81:	344.21:	688.00
Total Expenditure,	\$8,050.68:	\$6,908.90:	\$7,926.41:	\$8,077.00*
Total Revenue,	\$13,374.26:	\$13,022.85:	\$15,228.43:	\$13,260.53** \$15,160.00***

* Expenditure for 11 months only

** Revenue for 10 months only

*** Revenue for 12 months.

The increase in 1918 expense over the preceding years shows the effect of the increased cost of labor and materials. Due to the present unsettled labor and material conditions, it is difficult at this time to estimate future expenditure on the basis of present or past performance.

After giving the matter careful consideration, the sum of \$8,500.00 is considered a fair allowance for future maintenance and operation expense.

The annual charges which applicant is considered entitled to have returned to it in rates are as follows:

Interest on \$75,000 at 8%,	-----	\$6,000.
Depreciation annuity 6% sinking fund,	-----	1,444.
Maintenance and operation,	-----	8,500.
		<u>\$15,944.</u>

The rates set out in the order herein are estimated to return to the utility the above amount.

I submit the following form of order:

O R D E R.

LOS ANGELES COUNTY WATER WORKS COMPANY having applied to the Railroad Commission for authority to increase its rates for domestic and irrigation water, served in the "Shoestring Strip" of the City of Los Angeles and in the unincorporated territory adjacent thereto, which includes the Town of Gardena, a public hearing having been held and the Commission being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates set out in this order are just and reasonable rates and that the rates heretofore charged by Los Angeles County Water Works Company are unjust and unreasonable rates in so far as they differ from the rates herein established.

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

IT IS HEREBY ORDERED that Los Angeles County Water Works Company be and it is hereby authorized to file with the Railroad Commission of the State of California the following schedule of rates, within thirty (30) days from the date of this order, for water to be served to its consumers in the "Shoestring Strip" of the City of Los Angeles and the unincorporated territory adjacent thereto, which includes the Town of Gardena, said rates to become effective on March 1, 1919:

METER RATES.

500 cubic feet or less,-----	\$1.00
500 " " to 2000 cu.ft., per 100 cu. ft.,	.15
Over 2000 cu.ft.	.10

FLAT RATES.

Domestic - for house and less than 1/4 acre
of land, -----per month, \$1.50

IRRIGATION RATE.

\$1.35 per hour run of pump at capacity.

FIRE SERVICE.

Per Hydrant per month,-----	\$2.00
Minimum payment per month,-----	\$25.00

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 12th day
of March 1919.

Edwin O. Edgerton
W. H. ...
Stan R. ...

Commissioners.