

ORIGINAL

Decision No. 6412

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the Application of)
Beverly Hills Utilities Company for)
authority to increase its rates for) Application No. 4040.
water.)

Gibson, Dunn & Crutcher by S. M. Haskins
for Applicant.
Clyde Woodworth for the City of Beverly Hills.

BY THE COMMISSION.

O P I N I O N

This is a proceeding brought by the Beverly Hills Utilities Company, a public utility corporation, for authority to increase rates. The application alleges in effect that applicant is engaged in the business of selling water in the city of Beverly Hills and vicinity, Los Angeles County; that the present rate schedule does not produce a sufficient revenue to return to applicant operating expense, depreciation and interest on its investment, and prays that this Commission make its order authorizing it to increase its existing rates to such an extent that it may hereafter enjoy a reasonable return upon the value of its property.

Applicant, Beverly Hills Utilities Company, was incorporated September 15, 1914. It purchased its present plant from the Rodeo Land and Water Company, the corporation which owned and subdivided a tract of land adjoining the City of Los Angeles, a portion of which is included within the City of Beverly Hills. The Rodeo Land & Water Company desired, in 1914, to separate its public utility business from its real estate business, and applied to this Commission to sell its public utility

plants to the Beverly Hills Utilities Company. This Commission in its Decision No. 2011, entitled, "In the Matter of the Application of Rodeo Land and Water Company to sell its water, gas and electric plants and systems to Beverly Hills Utilities Company, and of Beverly Hills Utilities Company to issue stock." (Application No. 1425), Vol. 5, p. 918, Opinions and Orders, Railroad Commission of California, authorized the transfer of this property. The Rodeo Land and Water Company was incorporated in 1906 and engaged in the business of selling real estate for residential purposes, consisting chiefly of high class villa sites. As a necessary part of its operation, the company constructed a water system. These companies still remain under the same management. On June 15, 1917, the electric and gas systems of this company were sold to the Southern California Edison Company.

The water supply is obtained by pumping from wells and springs located in what is known as Coldwater Canyon, approximately two miles northerly from the City of Beverly Hills. The water is collected in a low-level and a high-level reservoir, and from thence transmitted to the distribution system. The original system was installed about 1906 and consisted of a series of collecting tiles and small wooden box drains which drew their supply from springs and seepage in the canyon bottom.

By reason of the topography of the area served, high-level and low-level transmission and distribution systems are necessary. The low-level system still obtains a portion of its supply from the first development. In 1906 the development of the tract was begun and the nucleus of the present system installed. As the demand increased, additional facilities were constructed. As a result of this piecemeal construction, there are at present seven transmission lines from the source of supply in Coldwater Canyon to the distribution reservoirs and four pump plants. Water is pumped from the wells into the transmission mains, thence into three distributing reservoirs

having a total capacity of approximately a million and a half gallons. From these reservoirs it is distributed to the consumers through iron and steel pipes. There are at present some 180 consumers receiving their water supply from this system. The rate schedule in effect is as follows:

Minimum.....	\$.75	per month.
Measured rate.....	.07	" 100 cu.ft.
Fire Hydrants, each.....	1.50	" month.
Sewer Flush Tanks, each.....	1.00	" month.

Prior to the hearing in this proceeding, applicant and the Board of Trustees of Beverly Hills, agreed to a schedule of rates, and it was stipulated at the hearing that the Commission would be asked by both applicant and the representative of the City of Beverly Hills, to establish this schedule which follows:

Minimum.....	\$.75	per month.
Measured rate.....	.10	" 100 cu.ft.
Sewer Flush Tanks, each.....	1.00	" month.

No agreement, however, was reached concerning the fire hydrant rate, which the city contended should be \$5.00 per year per hydrant, whereas applicant asks that the present rate of \$1.50 be continued in effect.

Investigation was made of the records and plant of applicant by Mr. H. A. Noble, one of the Hydraulic Engineers of this Commission. His report, submitted as Railroad Commission's Exhibit No.1, shows revenue and operating expenses as follows:

	<u>1916</u>	<u>1917</u>	<u>1918</u>
Gross Revenue.....	\$ 9,453	\$ 9,943	\$10,128
Operating Expense.....	8,293	11,112	10,384

In addition to the above operating expense, Mr. Noble reports a sinking fund annuity of \$1,566. At the hearing, applicant submitted an estimated original cost of the system of \$122,660.

Computations have been made from the detailed water use submitted, which shows that the rate schedule which it is asked be established, will produce a revenue not in excess of \$14,000.

From the above computations it is apparent that the rate asked to be established will not return to applicant interest upon its entire investment. It will, therefore, be unnecessary to discuss further the details of the service value of this system and operating expenses. The only point of difference between the Board of Trustees of the City of Beverly Hills and applicant is in the fire hydrant rental. A detailed investigation of the fair amount which should be charged against fire service has been made by a number of Commissions who have decided that from 20 to 75 per cent of the cost of service is properly chargeable against fire service. In this case, however, conditions are somewhat different from those above mentioned. However, we are of the opinion that a rate of \$1.50 per hydrant per month is fair and reasonable.

O R D E R

Beverly Hills Utilities Company having applied to this Commission for authorization to increase rates, and public hearing having been held and the matter being now ready for decision,

IT IS HEREBY FOUND AS A FACT that the present rates charged for water by Beverly Hills Utilities Company, insofar as they differ from the rates set out in this order, are unjust and unreasonable, and that the rates set out in this order are just and reasonable, and basing its order on the foregoing finding of fact and the further statements of fact set out in the opinion preceding this order,

IT IS HEREBY ORDERED that Beverly Hills Utilities Company be and it is hereby authorized and directed to file with this Commission within twenty (20) days from the date of this order, the following

schedule of rates, effective for all meter readings subsequent to the date of filing:

RATE SCHEDULE

Minimum.....	\$ 0.75 per month.
Measured rate.....	0.10 " 100 cu.ft.
Fire Hydrants, each.....	1.50 " month.
Sewer Flush Tanks, each.....	1.00 " month.

Dated at San Francisco, California, this 17th
day of June, 1919.

Edwin C. Edgerton

[Faint circular stamp]

H. W. Brundage

Dwight Martin
Commissioners.