

Decision No. 6789

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

Baldwin Park Chamber of Commerce,
Complainant,

vs.

Baldwin Park Domestic Water Corporation,
Defendant.

Case No. 1314.

In the Matter of the Application of)
Baldwin Park Domestic Water Company, ask-)
ing permission for an increase of rates.)

Application No. 4585.

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Harry William Elliott, For Baldwin Park
Chamber of Commerce and Protestants.

S. M. Walker for defendant and applicant.

BRUNDIGE, Commissioner.

O P I N I O N.

The complaint of Baldwin Park Chamber of Commerce alleges in effect that the rates now charged by defendant for water supplied to consumers in Baldwin Park and vicinity, Los Angeles County, are excessive and exorbitant; that defendant has failed to supply the necessary water pressure for domestic service; that the charges made by defendant for the installation of irrigating meters are excessive, without uniformity, and whereas such charges should be returned to the consumers in water defendant has in some cases failed to give the proper credits on water bills.

The Commission is asked to fix reasonable rates for water supplied by defendant for domestic, irrigation and other purposes; to require defendant to maintain adequate water pressure

for domestic use; to fix a reasonable charge for the installation of irrigating meters and that such charge be returned to the consumer in water supplied, and for such other relief as to the Commission may appear reasonable.

Shortly after the above entitled complaint was filed application was made by Baldwin Park Domestic Water Company asking the Commission to establish reasonable rates, the allegation being made that the present rates are too low to pay a fair return upon the investment.

A public hearing was held in Baldwin Park on June 20th, 1919, at which time it was stipulated that the two proceedings would be considered at the same time.

The present rates charged by Baldwin Park Domestic Water Company and the rates alleged by Baldwin Park Chamber of Commerce to be reasonable are as follows:

Present Rates.

Domestic Service.

Monthly minimum charge,	\$1.50
From 0 to 500 cubic feet, per 100 cu.ft.,	0.25
" 600 to 2000 " " " " " "	0.15
Over 2000 " " " " " "	0.10

Irrigation Service.

Per miner's inch hour, which is equivalent to \$0.0347 per 100 cubic feet.	0.025
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Rates alleged to be reasonable.

Domestic Service.

Monthly Minimum charge,	\$1.00
From 0 to 1000 cubic feet, per 100 cu. ft.,	0.10
Over 1000 " " " " " "	0.075

Irrigation Rates.

Per Miner's inch hour, which is equivalent to \$0.0243 per 100 cubic feet.	0.0175
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No persuasive testimony was presented by complainant to support the allegation that pressures maintained for domestic

service were inadequate, but on the other hand defendant testified that tests taken at various parts of the system indicate pressures of from 30 to 40 pounds to the square inch. These are sufficient to assure adequate domestic service.

A considerable amount of testimony was introduced showing that various consumers have in the past paid for extensions of mains, for service connections and for meters and that such payments have not been returned to them either in money or as credits on their bills for water consumed. By Decision No. 1823 of this Commission, dated September 24, 1914, defendant was ordered to install free of charge to consumers the ordinary five-eighths inch meter and three-quarter inch service connection. Defendant's rules and regulations, accepted for filing by this Commission, and effective October 1, 1914, provide that when an application for service requires the installation of a service and meter larger than the usual three-quarters inch service and five-eighths meter the consumer shall deposit the excess of such larger service and meter with the utility and that the deposit will be credited on the water bills of the consumer at the monthly rate of one-tenth of the amount deposited until the deposit shall have been entirely absorbed.

It was not shown by testimony that any meters and services or extensions of mains have been paid for by consumers or that the utility has refused to give the credits on water bills to which the depositors were entitled subsequent to October 1, 1914. Apparently therefore consumers are complaining of conditions which prevailed prior to the Commission's order.

Considering the facts of this particular case, payments made by consumers for service and meters or extensions should be regarded in the nature of loans to the utility, and as such should be repaid to consumers either in cash or in credits on water bills. Therefore consumers of this utility who have made such payments and have not received proper credits are entitled to redress and upon

presentation to the utility of proper evidence of payment will be given relief regardless of the date of payment, and regardless of whether or not such payments were made prior to the effective date of the Public Utilities Act.

It was shown that in one instance at least the owner of a subdivision had paid one-third of the cost of piping for the tract and had subsequently received no credits on water bills. Inasmuch as the value of the property has been enhanced by such water service and therefore no claim for reimbursement has been made, I believe the owners of the tract have been compensated for any payments made.

Several of the complainant's witnesses alleged that the deposits required for the installation of the irrigation services and meters were exorbitant. As these consumers have received, or are receiving, credits on their water bills, and owing to the fact that prices of materials are, and have been for some time past, at a very high point, and are constantly fluctuating, it is unnecessary to pass upon the matter at this time or to fix any schedule of deposits to be made for the various sizes of meters and services which may be required. Any consumer, however, who in the future feels that the deposit demanded of him is excessive is asked to refer the matter to the Commission for decision.

It was also shown that water supplied to S. M. Walker for domestic and irrigation use was not metered. It is unnecessary to go further than to state that such practices are discriminatory and that meters should be installed for this service.

An investigation of the cost of the system, maintenance and operating expense, revenues and depreciation allowance was made by the Commission's Hydraulic Division and the findings introduced in evidence.

It was found that the cost of the system as shown by the utility's books, as of April 1, 1919, was \$49,574.00. It was

also shown that many of the items included in the book costs contained arbitrary overhead additions which were not justified. In the Commission's estimates only proper allowances are included for this item. Eliminating these unjustifiable overheads and making estimated additions for the cost of the new well, pump and motor, then under construction, indicated a cost of \$46,146.00. Owing to the fact that the distribution pipe system was overbuilt a further reduction was made and \$42,000.00 was recommended as a reasonable rate base.

Maintenance and operation expense as charged in 1918 amounted to \$6,068.00 and in 1917 to \$5,370.00, and average \$5,719.00. Various deductions which were fully discussed and explained in testimony were made and a reasonable allowance for maintenance and operation expense was stated to be \$5,124.00 per year.

The allowance for depreciation annuity was calculated upon the 4 per cent sinking fund method and was shown to be \$1,008.00 and is a reasonable allowance.

Revenues from the sales of water during the year 1918 amounted to \$7,917.00.

Baldwin Park Chamber of Commerce objected to the report of the Commission's engineer as to rate base and maintenance and operating expense. It was alleged that Mr. Walker had charged excessive rates for his own services and for hire of his team. Testimony was introduced showing the cost of various water systems in the vicinity and a demand was made for the figures used by the Commission's engineer in his check of the book cost of the system. Baldwin Park Chamber of Commerce subsequently had an audit made of the utility's books and filed a brief setting forth the amounts paid both by Mr. and Mrs. Walker for personal services and team hire during the year 1918. The brief also alleges that the value of the system devoted to the public use is \$29,405.00.

Subsequent to the hearing the Commission's Hydraulic Division has subjected the engineer's report to a most thorough investigation and check. It may be that some of the items reported such as real estate which was taken at the amounts shown in the utility's books, are too high but I am of the opinion that the

the used and useful property of report as a whole sets out a fair total ~~service~~ value of this system and it is found as a fact that the sum of \$42,000 is a fair service value of this system for the purposes of this proceeding.

The testimony as to the cost of other water systems in the vicinity is not conclusive as these systems are of smaller size and capacity. I also desire to point out that the rate base set forth in protestant's brief does not include several items of property among which are the new well, pump and motor and the service pipes on the system.

As the estimate of reasonable maintenance and operation expense, amounting to \$5,124.00 per year, is considerably lower than the actual charges shown by the utilities books I believe that any excessive charges which may have been made are entirely eliminated and that the estimate compares favorably with the corresponding expense on systems of the same size and operated under similar conditions. I therefore find that \$5,124.00 is a reasonable annual allowance for maintenance and operation expense for this system.

Annual charges based upon the foregoing details are as follows:

Return upon investment ^{rate base of this} system,	\$2,520.00
Depreciation Annuity,	1,008.00
Maintenance and Operation Expense,	5,124.00
T o t a l,	<u>\$8,652.00</u>

As the revenues for 1918 amounted to \$7,917.00 it is seen that, based upon present rates and the same use of water as in 1918, there will be a deficit from operation and that the utility is entitled to an increase in rates. It is estimated that the rate schedule set out in the accompanying order will yield the necessary revenues.

The practice of this utility of arbitrarily adding overhead percentages to capital account is clearly contrary to the

instructions contained in the Commission's uniform classification of accounts and should be discontinued.

Additional rules and regulations are necessary in order to clear the existing situation in regard to extensions of mains, the installation of motors and services, bills for a fractional month, and reconnection and disconnection charges. I recommend that the utility be required to file with the Commission revised rules and regulations in which shall be embodied the following general principles: In case an application for service requires the extension of the utility's existing mains one hundred feet of such extension shall be made free of charge for each consumer, and in case an extension of mains in excess of one hundred feet for each consumer is required the cost of such excess shall be deposited by the applicant with the utility and returned at the monthly rate of one-tenth of the bills for water used on the extension.

The usual three-quarters inch service and five-eighths inch meter shall be installed free of charge but in case a larger meter and service is desired the additional cost of such larger installation shall be deposited with the utility by the applicant and returned at the monthly rate of one-tenth of the bills for water used.

In case an application for service involves a deposit for both an extension of mains and for a large meter and service the rate of return of deposit shall be one-seventh of the monthly bills for water.

In case there is a reasonable doubt that any extension of mains or new service and meter will be used in the immediate future or in case such installations will in the opinion of the utility work a hardship upon it or its existing consumers the matter shall be referred to the Commission for decision.

No charges shall be made for turning water on or off at any service connection, except that in case a consumer

orders service discontinued and later, in the same month, orders service resumed a charge of fifty cents may be made.

In case service is discontinued before an entire month has elapsed the monthly minimum charge shall be reduced and the consumer billed only for that portion of the month in which service was furnished. In case the meter readings indicate a larger bill than the prorated monthly minimum the consumer shall be billed in accordance with the meter readings.

I submit the following form of order.

ORDER.

Baldwin Park Chamber of Commerce having made complaint in the above entitled proceeding, and Baldwin Park Domestic Water Company having made application for permission to increase rates, a public hearing having been held, briefs having been submitted and being fully informed in the matter, I hereby find as a fact, that the rates now charged by Baldwin Park Domestic Water Company for water delivered to consumers in Baldwin Park and vicinity are unjust and unreasonable in so far as they differ from the rates set forth in this order and that the rates so set forth are just and reasonable rates to be charged for such service, and basing the order on the foregoing finding of fact and upon the statements of fact contained in the opinion preceding the order.

IT IS HEREBY ORDERED, that Baldwin Park Domestic Water Company be and the same is hereby authorized and directed to file with the Railroad Commission within twenty days from the date of this order and thereafter charge the following rates for water delivered to consumers in Baldwin Park and vicinity, effective for all meter readings subsequent to the date of this order:

Monthly Minimum charges,

5/8 inch meters,	\$1.25
3/4 inch meters,	1.50
1 inch meters,	1.75
1-1/2 inch meters,	2.00
2 inch meters,	2.50
3 inch meters, and larger,	3.00

Meter Rates.

From 0 to 500 cubic feet, per 100 cubic ft.	\$0.25
" 500 to 1000 " " " " "	0.20
" 1000 to 2000 " " " " "	0.15
Over 2000	0.0425

AND IT IS HEREBY FURTHER ORDERED, that Baldwin Park Domestic Water Company file with this Commission within thirty days from the date of this order revised rules and regulations in which shall be embodied the general principles set forth in the preceding opinion;

AND IT IS HEREBY FURTHER ORDERED, that Baldwin Park Domestic Water Company shall immediately discontinue the practice of arbitrarily adding overhead percentages of any character to capital charges;

AND IT IS HEREBY FURTHER ORDERED, that within sixty days from the date of this order meters shall be installed on all service pipes furnishing water to S. M. Walker for either domestic or irrigation purposes and that thereafter all water supplied to S. M. Walker shall be accurately measured and charged against him on the books of the utility;

AND IT IS HEREBY FURTHER ORDERED, that upon presentation of proper evidence of payment for any extension of main, or the installation of any service pipe and meter for which the consumer has not received proper reimbursement, in cash or in water consumed, Baldwin Park Domestic Water Company shall make refund of such payments in

monthly credits on water bills at the rate of one-tenth of the bills for water consumed. Exception is made, however, of payments made for piping for subdivisions of real estate.

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 22^d
day of *October* 1919.

Edwin O. Edgerton

H. D. Hayward

Frank R. Weston

H. P. Brundage

Irving Martin

Commissioners.