

Decision No. 8389.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA  
-----

In the Matter of the Application )  
of A. B. PERKINS for authorization) Application No. 5816.  
of revised rate schedule. )

A. B. Perkins for applicant.

Geo. L. Sanders for certain consumers.

BRUNDIGE, Commissioner.

O P I N I O N

A. B. Perkins, applicant herein, is the owner of a public utility water system known as the Newhall Water System, supplying water for domestic and irrigation purposes to consumers in and in the vicinity of the town of Newhall, Los Angeles County, California. This water system was acquired by applicant under authority of this Commission's Decision No. 7434, dated April 15, 1920, which authorized the transfer of the property from H. Clay Needham to the present owner.

In the above entitled proceeding applicant asks for authority to raise his rates charged for water, alleging in effect that the existing rate schedule does not provide sufficient revenue to yield operating expenses, depreciation and a reasonable return upon the investment.

A public hearing was held in this matter at Los Angeles, California, and all interested parties were given an opportunity to appear and be heard.

It appears that the existing schedule of rates was put into effect when the water system had few consumers and sufficient water for their needs was supplied by an artesian well with only occasional operation of the pumping plant. As a matter of fact, the artesian supply has usually been sufficient during the greater part of the season for many years past.

On July 17, 1920, there were 134 active services on this system and a total of 26,025 feet of mains. On the basis of the proportion of main required for each service it will be observed that the length of main per service connection is unusually great.

At the hearing considerable dissatisfaction was expressed by consumers because of the alleged inadequacy of the service rendered by applicant. This is particularly true of a district known as Happy Valley, and investigation develops the fact that the unsatisfactory service is due principally to low pressure, this condition being caused in part, at least, by the low elevation of the storage tanks from which the system is supplied. This condition can be remedied and steps should be taken by applicant toward the installation of such improvements as will eliminate further cause for complaint. While throughout this proceeding facts have been substantiated which justify an increase in the rates of this utility, yet it appears that in justice to those consumers who receive inadequate service by reason of low pressure, any increase of rates which may be granted should be made contingent upon such improvement of the system as will insure satisfactory service from the standpoint of pressure.

Mr. M. R. MacKall, one of the Railroad Commission's Hydraulic Engineers, submitted a report and an appraisal of the water utility property of applicant. Based upon the available

records of the actual cost of construction, \$31,868 is estimated as the original cost of the system. A depreciation annuity in the amount of \$447 is computed by the sinking fund method, which sum, accumulated annually, is calculated to provide a fund for the replacement of worn-out properties when the end of their useful lives has been attained. The estimate of a reasonable allowance for maintenance and operating expense is \$1,785.

No appraisal was submitted by applicant other than a statement of the book value of the plant, as shown in the applicant's annual report, which amounted to \$37,502. As this amount does not exclude retirements and non-operative property, no objection was made to the values in the appraisal and report of the Commission's engineer.

A consideration of the evidence leads to the conclusion that these estimates are fair and they are used for the purposes of this proceeding.

A summary of the foregoing annual charges is as follows:

|                                 |              |
|---------------------------------|--------------|
| Interest on \$31,868 at 8%----- | \$2,549      |
| Replacement Fund-----           | 447          |
| Maintenance and Operation       |              |
| Expense-----                    | <u>1,785</u> |
| Total-----                      | \$4,781      |

As the revenues for the year 1919 amounted to only \$2,206, it would appear that the applicant is entitled to an increased income. However, the system is overbuilt to such an extent that to allow a full and complete return upon the invested capital over and above the costs of maintenance, operation and depreciation, would place an undue burden upon the rate payers, and by reason of the further fact that the present service is inadequate to certain consumers, it is believed that any increase in rates to them would be unjust unless predicated upon adequate

improvement in service conditions.

For these reasons the schedule of rates established in the following order is designed to produce a return which, in so far as the conditions permit, will be equitable.

O R D E R

A. B. Perkins, owner of a public utility known as the Newhall Water System, having made application in the above entitled proceeding for an increase in water rates, a public hearing having been held and the Commission being fully informed in the matter,

It is Hereby Found as a Fact that the rates now charged by applicant, in so far as they differ from the rates herein established, are unjust and unreasonable, and that the rates herein established are just and reasonable rates for service of water by this applicant to his consumers; and basing its order upon the foregoing finding of fact and upon the statement of facts contained in the opinion preceding this order,

IT IS HEREBY ORDERED by the Railroad Commission of the State of California that A. B. Perkins be and he is hereby authorized and directed to file with this Commission, not later than twenty (20) days from the date of this order, and thereafter charge the following rates for water delivered to the consumers of the Newhall Water System in Newhall and vicinity:

MONTHLY MEMBER RATES

QUANTITY CHARGE:

For Domestic Use:

|   |        |
|---|--------|
| For use between 0 and 2000 cubic feet, per 100 cu.ft. | \$0.25 |
| All use over 2000 cubic feet, per 100 cubic feet, --- | .20    |

For Irrigation Use:

|   |      |
|---|------|
| For all water used, per 100 cubic feet----- | 0.06 |
|---|------|

MONTHLY METER RATES--CONT'D

Readiness to Serve Charges:

|                               |        |
|-------------------------------|--------|
| For 5/8 x 3/4-inch meter----- | \$0.50 |
| For 3/4-inch meter-----       | .75    |
| For 1-inch meter-----         | 1.00   |
| For 1 1/2-inch meter-----     | 1.25   |
| For 2-inch meter-----         | 1.50   |

The above readiness to serve charges are in addition to the charge per 100 cubic feet established herein.

IT IS HEREBY FURTHER ORDERED that A. B. Perkins be, and he is hereby directed to install storage facilities capable of providing adequate pressure for satisfactory water service to the district known as Happy Valley, said storage to be placed at an elevation at least twenty (20) feet greater than the storage from which applicants were served on June 14, 1920 (the date of the application herein), this improvement to be installed and in operation as soon as conditions will permit, but in no case later than April 1, 1921.

IT IS HEREBY FURTHER ORDERED that the collection of rates set out in the schedule herein authorized, on and after April 1, 1921, is expressly conditioned upon the improvement above ordered having been installed and in operation on or before that date.

IT IS HEREBY FURTHER ORDERED that A. B. Perkins be, and he is hereby directed to file with the Railroad Commission within thirty (30) days from the date of this order a complete schedule of rules and regulations governing the distribution and sale of water

to consumers supplied by him, said schedule to be effective on the date of its approval by this Commission.

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 27<sup>th</sup> day of November, 1920.

Edwin O. Edgerly

H. S. Loveland

Frank P. Perry

H. A. Brundage

Irving Martin

Commissioners.