

Decision No. 5663.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
VAN NUYS WATER SYSTEM, a copartner-)
ship consisting of J. Benton Van Nuys,)
Kate Van Nuys Page and Annis Van Nuys)
Schweppe, for increase of rates of)
said system.)

Application No. 5586

Oscar C. Mueller for Applicant.
H. S. Farrell for City of San Gabriel.
Geo. Sanborn in propria persona, and
for certain consumers.
Peter C. Mahn in propria persona.
R. Cooper in propria persona.
R. Kuban in propria persona.

BRUNDIGE, Commissioner.

O P I N I O N

The application of Van Nuys Water System, as entitled above, is an application asking for authority to increase water rates for irrigation and domestic purposes and for service rendered by said system in and in the vicinity of San Gabriel, Los Angeles County.

The Van Nuys Water System also filed application for an order determining the boundary of said water system (Application No. 5843), which came on for hearing with the rate proceeding entitled above. For the purposes of clarity, however, and to avoid confusion of the issues involved, the decisions in these two matters will be rendered separately.

In the above entitled rate proceeding, applicant alleges in effect that the present schedule of rates does not provide a fair return on the investment, replacement fund and operating ex-

penses. The rates at present in effect were established by this Commission in its Decisions Nos. 5093 and 5844. Decision No. 5093, dated February 2, 1918, (Vol. 15, p. 136, Opinions and Orders of the Railroad Commission of the State of California) held that a fair and just value of the used and useful properties of this utility for rate fixing purposes as of November, 1917, was \$70,158. This was again sustained in Decision No. 5844, dated October 11, 1918 (Vol. 16, p. 125, Opinions and Orders of the Railroad Commission of the State of California), wherein this utility's application for rehearing was denied.

In the present proceeding Mr. F. H. Van Hoesen, one of the Commission's hydraulic engineers, after a field and office investigation, submitted a report with a review of the operations of applicant down to May 31, 1920. By making proper alterations for additions and retirements in the capital account Mr. Van Hoesen's estimate of capital investment is the sum of \$77,971. At the hearing applicant submitted evidence showing an additional expenditure of \$3,354 since that date, which would increase the total to \$81,325. In view of all the evidence the latter sum would appear to be fair as representing the investment in used and useful property of this utility as of July 20, 1920, and will be used for the purposes of this proceeding.

The Commission's engineer in his report set out a replacement annuity, computed by the sinking fund method, of \$1,420. This was based on an average useful life of 25 years. Upon a recheck being made, the average useful life was determined to be 24.2 years. Making a proper correction on this basis, and taking into consideration the additional capital of \$3,354 invested since May 31, 1920, it appears that \$1,600 is a fair and reasonable amount for the annual replacement fund of this utility.

Applicant's exhibits show an estimate of \$13,885.14 for

operating and maintenance expense for 1920. This amount is \$1,475.40 more than the estimate submitted by the Commission's engineer. Applicant's Exhibit No. 4 shows the actual maintenance and operating expense for the first six months of 1920 as \$5,494.12, and on this basis the estimate would indicate an increase of \$2,897.16 for the last six months of the year over that of the first six months.

A study of this phase of the situation indicates that the only material increase of expense would be by reason of the cost of electric power, and with relation to this item it would appear that the Commission's engineer has made an ample allowance. Taking all facts and conditions into consideration, the conclusion is reached that the sum of \$12,410 is a fair allowance for the annual maintenance and operation expenses of this utility.

The following is a summary of the above items which go to make up the sum which should be produced annually by rates:

Interest on \$81,325 at 8%	\$ 6,506
Replacement Fund.....	1,600
Maintenance and Operating Expense.....	<u>12,410</u>
Total.....	\$20,516

The total operating revenue received during 1919 was \$18,061 and during 1918 was \$17,134. There is no indication of any material increase in income in the near future by reason of increased consumption or added population, and it is apparent that applicant is entitled to receive a more remunerative income in the form of rates. The rate schedule established in the following order is therefore designed to yield the total of the above annual charges.

I submit the following form of order:

O R D E R

VAN NUYS WATER SYSTEM having made application to the Railroad Commission for authority to increase its rates, as entitled above, a public hearing having been held and the Commission being fully apprised in the premises;

IT IS HEREBY FOUND AS A FACT, that the rates and charges of the Van Nuys Water System, insofar as they differ from the rates herein established are unjust, unreasonable and unremunerative, and that the rates and charges herein established are just and reasonable rates;

And basing its order on the foregoing finding of fact, and on the further statements of fact contained in the opinion which precedes this order;

IT IS HEREBY ORDERED, by the Railroad Commission of the State of California that Van Nuys Water System be, and it is hereby authorized to file with the Railroad Commission within twenty (20) days of the date of this order, the following schedule of rates, the same to supersede all rate schedules of this system heretofore in effect and to be and become effective for all bills rendered subsequent to March 1, 1921:

DOMESTIC METERED SERVICE

600 cubic feet or less per month.....	\$1.00
From 600 to 2000 cubic feet, per 100 cubic feet.....	.15
From 2000 to 5000 cubic feet, per 100 cubic feet.....	.10
All in excess of 5000 cubic feet, per 100 cubic feet...	.05

IRRIGATION METERED SERVICE

Per 100 cubic feet.....	.05
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FIRE SERVICE FOR THE CITY
OF SAN GABRIEL

Per month.....	25.00
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MONTHLY MINIMUM
All Classes of Service

3/4 inch meter or smaller.....	\$ 1.00
1 inch meter.....	1.25
2 inch meter.....	1.50

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 21st day of February, 1921.

H. J. Loveland

H. T. Bourdige

Irving Matlin

Charles H. Rouse

Commissioners.