

Decision No. 8777

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application )  
of Emil Firth for an order author- ) Application No. 6121.  
izing an increase of water rates. )

E. V. Rosenkranz for Applicant.

LOVELAND, Commissioner.

O P I N I O N

Emil Firth, applicant herein, is engaged in the business of selling and distributing water for domestic purposes in Subdivision Tracts Nos. 2195 and 809, known as Arlington Square, Los Angeles County. In this proceeding applicant asks for an order authorizing an increase in water rates, alleging in effect that his present charges for service are inadequate and do not produce a revenue sufficient to meet operating expenses.

A public hearing was held in this matter at Los Angeles, of which applicant's consumers were duly notified and given an opportunity to appear and be heard.

From the testimony it appears that in 1910 Mr. Firth acquired the water system in question, together with a large tract of land. With the exception of a certain amount of water which has been purchased from the City of Los Angeles during times of emergency, the entire supply is obtained by pumping from a well

located on the above mentioned tract of land. The land has been subdivided and the water system developed as a part of a real estate project. Each consumer coming upon the system has been required to pay the entire cost of the connection for his service from the distribution main, including the meter.

The utility serves 85 domestic consumers, there being no service which might be classed as commercial or industrial. Various rates have been charged, it being claimed that the charges were designed to meet operating expenses only, and taking this fact as a basis, Mr. Firth contended at the hearing that the system had not been operating as a public utility. However, it appears that no stock in this water system has been issued, and that the consumers are not stockholders therein; also that no written agreements have been made with the purchasers of land with relation to the service of water, and applicant has held himself in readiness at all times to serve all consumers within the area supplied who desired service. Thus, it is obvious that within the meaning of the Public Utilities Act the conditions which actually obtain constitute this system a public utility, and that it is subject to the jurisdiction of the Railroad Commission.

With relation to applicant's practice of requiring that consumers pay for service connections and meters, attention is directed to the fact that this practice is contrary to this Commission's orders. In its Decision No. 2879, in Case 683, dated Nov. 5, 1915, In the Matter of the Practice of Water, Gas, Electric and Telephone Utilities requiring deposits before rendering service (Volume 8, page 372, Opinions and Orders of the Railroad Commission of California), this Commission held that each water utility in the state ".....shall at its own expense install a service con-

nection of normal size to the property line or curb line of property abutting upon said public street....." Therefore the practice of Emil Firth in charging each consumer for a service connection and meter must be discontinued. Furthermore, such charges of this character as he has made of his consumers subsequent to the effective date of the above mentioned decision should be returned to the consumer, such charges having been collected illegally.

Mr. F. E. Van Hoesen, one of the Commission's Hydraulic Engineers, submitted a report embracing a valuation of the used and useful property of this utility, which shows an estimate of the original cost of the system to be \$16,662, exclusive of the cost of the service connections, and a replacement annuity of \$309. The estimated cost of the service connections and meters, installed at the expense of the consumers, is \$1,607. This amount should be rebated to the consumers participating in the same. When so rebated the amount should be added to the balance of the investment, making a total of \$18,269 as the estimated original cost of the system, and the replacement annuity \$354. The applicant submitted a valuation which was stated by him to be a guess. The estimates submitted by the Commission's engineers appear to be reasonable, and will be used for the purposes of this proceeding.

The Commission's engineer estimated the reasonable annual maintenance and operation expense of this system to be the sum of \$1,290. Objection has been made by applicant to this estimate, and various statements have been submitted to substantiate his objection. The sums suggested by applicant as fair were found upon analysis to include certain items properly chargeable to capital, and also items of an extraordinary nature, not recurring annually nor normally encountered on the system. One item, however, of \$17 for additional taxes is a proper allowance and should be included in the maintenance

and operation account, increasing this item to \$1,307.

When full credit has been given the consumers for funds which they have advanced for service connections and meters, the following is a summary of the annual charges as outlined above:

Interest on \$18,269 at 8%.....	\$1,462
Replacement fund.....	354
Maintenance and Operation Expense.....	<u>1,307</u>
Total.....	\$3,123

However, evidence shows that the system of this utility is largely overbuilt, embracing a large area of sparsely settled territory, and it would be unfair to the present number of consumers to require them to pay a rate high enough to produce the above annual charges. The total operative revenue from sales of water by this utility during 1919 was \$772.35 and for the first nine months of 1920 was \$789.40. There has been a substantial increase in the number of consumers during 1920, and it seems fair to assume that this development will continue and that the utility will find itself in a gradually improving economic condition. In the future the revenue derived from each additional service will be large in proportion to the additional expense entailed, and more remunerative, by comparison. The system was designed to serve a large territory and many times the number of its present consumers, and when it reaches that stage of development it will no doubt be on a basis that is financially sound. The schedule set out in the following order is designed to produce an increased revenue and require a payment from consumers which is reasonable for the service rendered.

I submit the following form of order:

ORDER

EMIL FIRTH having applied to the Railroad Commission for

authority to increase the rates charged by him for water, in Tracts Nos. 2195 and 809, County of Los Angeles, 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 Emil Firth, in so far as they differ from the rates herein established, are unjust 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 the further statements of fact contained in the opinion which precedes this order;

IT IS HEREBY ORDERED, that Emil Firth be and he is hereby authorized and directed to file with the Railroad Commission within twenty (20) days from the date of this order, the following schedule of rates, said schedule to become effective as provided later in this order:

MONTHLY METER RATES

300 cubic feet or less.....	\$1.00
300 to 1000 cubic feet, per 100 cu.ft....	.25
1000 to 5000 cubic feet, per 100 cu.ft....	.20
All use in excess of 5000 cubic feet, per 100 cubic feet.....	.15

MONTHLY MINIMUM CHARGE

5/8 inch meter.....	\$1.00
3/4 inch meter.....	1.25
1 inch meter.....	1.50
1 1/2 inch meter.....	1.75
2 inch meter.....	2.00

IT IS HEREBY FURTHER ORDERED, that authority to charge and collect the rates herein above specified is expressly conditioned upon the refund or rebate of such funds as are improperly held by this utility to the consumers involved, and the date upon which the

