

Decision No. 8865

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.
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In the Matter of the Application)
of WILLIAM W. BACON, JR., for) Application No. 6571.
authority to increase water rates.)

Walter F. Dunn for Applicant.

LOVELAND, Commissioner.

O P I N I O N

This is an application filed by William W. Bacon, Jr., owner of a public utility water system located about one-half mile southwest of Arcadia, Los Angeles County, for authority to increase the rate charged for irrigation water furnished his consumers.

The application alleges in effect that the rates now in effect do not produce a revenue sufficient to cover the cost of maintenance and operation, replacement annuity and a proper return on the investment.

The rates at present in effect were established by this Commission in its Decision No. 7672, dated June 8, 1920, in the matter of the application of George M. Phelps, applicant's predecessor in interest, for authority to increase water rates. These rates are as follows:

For each hour plant is operated at full capacity in furnishing irrigation water to a consumer, the charge shall be \$1.25.

The minimum charge shall be for one hour's operation of the plant.

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

Applicant presented, with his application, an estimate of the total cost of the system in the sum of \$10,013 and an estimate of replacement annuity computed by the "straight line" method of \$491.02. However, these estimates were not urged by applicant at the hearing.

Mr. D. E. Harroun, one of the Commission's hydraulic engineers, presented a report covering the results of a field investigation, an appraisal of the property and a study of the cost of maintenance and operation. His appraisal shows an estimated original cost of the system of \$8,893 and gives \$165 as a proper replacement annuity, computed by the 6 per cent sinking fund method. This report also recommends the sum of \$1,525 as a fair and reasonable estimate of the future annual cost of maintaining and operating this system. These estimates were not questioned at the hearing or subsequently and appear fair.

The following is a summary of the annual charges as indicated above:

Return on \$8,893 at 8%	\$ 711
Replacement Annuity	165
Maintenance and Operation Cost.	<u>1,525</u>
Total Estimated Annual Charges	\$2,401

The total revenue from this system for the year 1920 was not available, but the estimated revenue for the year 1921, at present rates, is about \$1,850. It does not appear that there is reason to expect any notable increase in business in the near future. It would appear therefore that authority to increase the rate should be granted, and the rate set out in the order herein

is designed to return to applicant the proper cost of maintenance and operation, a proper replacement annuity and a fair return upon the investment in used and useful public utility property.

I submit the following form of order:

O R D E R

William W. Bacon, Jr., owner of a public utility, having applied to the Railroad Commission for authority to increase the rate charged for water served to his consumers, a public hearing having been held and the matter having been submitted;

IT IS HEREBY FOUND AS A FACT that the rate heretofore charged by William W. Bacon, Jr., is unjust and unremunerative and that the rate herein established is a just and proper rate to be charged for the service rendered. .

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 William W. Bacon, Jr., be and he is hereby authorized to file with this Commission within twenty (20) days of the date of this order the following rate for water:

For each hour plant is operated at full capacity in furnishing irrigation water to a consumer, the charge shall be \$1.65.

The minimum charge shall be for one hour's operation of the plant.

IT IS HEREBY FURTHER ORDERED that the flow furnished shall not be less than the standard flow heretofore furnished from this plant; namely, fifty (50) miner's inches, or one (1) cubic foot per second.

IT IS HEREBY FURTHER ORDERED that the above established

rate shall apply to all service rendered on and after May 1st, 1921.

IT IS HEREBY FURTHER ORDERED that William W. Bacon, Jr., file with this Commission for its approval within thirty (30) days from the date of this order rules and regulations governing his relations with his consumers.

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 16th day of April, 1921.

H. D. Loveland

H. H. Prudig

J. W. Martin

Chas. H. Rowell

Commissioners.