

Decision No. 7722.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of)
EL SEGUNDO WATER COMPANY, a corpora-)
tion, for an order authorizing in-)
crease in rates for water sold and)
delivered through its system.)

Application No. 6840.

Robert M. Clarke, for Applicant.

Clyde Woodworth, for Protestants.

BENEDICT, Commissioner.

OPINION

El Segundo Water Company, applicant in the above entitled proceeding, is a public utility supplying water for domestic and irrigation purposes to consumers in and in the vicinity of El Segundo, Los Angeles County, California.

Applicant alleges in effect that the revenue produced by the present schedule of rates is not sufficient to yield any return upon its investment.

A public hearing was held in Los Angeles, of which all consumers were notified and given an opportunity to be present and be heard.

The rates now in effect were established by the Railroad Commission in Decision No. 8028, in Application No. 4743, dated August 27, 1920. In that proceeding the Commission found the estimated original cost of the utility's properties as of April 1, 1920, to be \$61,094, and a proper replacement annuity, computed by the 6% sinking fund method, to be \$1,477.

At the hearing in the present proceeding Mr. F. H. Van Hoesen, one of the Commission's engineers, submitted a report covering the results of a field and office examination of applicant's properties. This report shows the estimated original cost of the useful property, as of July 1, 1921, to be \$79,291. This sum is obtained by adding to the estimate of \$61,094, quoted above, the actual net investment between the dates April 1, 1920, and July 1, 1921, amounting to \$18,197. The proper replacement annuity applying to the total investment, computed by the 6% sinking fund method, is shown as \$1,972. After presenting an analysis of the maintenance and operation expenses for the year 1920 and for the first six months of 1921, Mr. Van Hoesen recommends the sum of \$8,315 as a reasonable allowance for these expenses for 1921.

Applicant states that the cost of maintenance and operation for 1920 amounted to \$13,060.93. It is found that included in this figure is \$3,438.07 for depreciation and other sums for interest and donations, which items are not properly chargeable to this account. Making the proper deductions, this charge is reduced to \$9,389.36, which is still greater than the estimate submitted by the Commission's engineer. Upon full consideration of the electric power rate applicable to this system and other evidence submitted, I am of the opinion that \$8,815 is a reasonable allowance for the annual maintenance and operating expenses of

this utility.

The following is a summary of the estimated annual charges, under normal conditions, as indicated above:

Return upon \$79,291 at 8%	\$6,343
Replacement Annuity.	2,972
Maintenance and Operating Expense.	8,815
Total	\$17,130

The total operating revenue received during 1920 was \$8,581.82, but this does not reflect the true amount which will be secured under the present schedule of rates which became effective on September 1, 1920. The Commission's engineer shows an estimate of the operating revenue for 1921 under the new schedule amounting to \$8,800. It is therefore apparent that the present rates will not produce the annual charges. The evidence shows however that the system was originally installed to promote the sale of real estate and is largely overbuilt, and it would be unfair to the present consumers to burden them with the entire amount of the annual charges set forth above. The schedule of rates set out in the accompanying order is designed to yield sufficient revenue to cover maintenance and operating expenses, depreciation annuity and some return upon the investment.

I submit the following form of order:

ORDER

El Segundo Water Company having made application in the above entitled proceeding, a public hearing having been held thereon and the matter having been submitted,

It Is Hereby Found as a Fact that the rates now charged by the El Segundo Water Company for water delivered to its consumers are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein estab-

lished are just and reasonable rates to be charged for such service.

And basing its order upon the foregoing finding of fact and upon the findings contained in the opinion preceding this order,

IT IS HEREBY ORDERED that El Segundo Water Company be and it 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 to be charged for water delivered to its consumers on and after December 1, 1921:

MONTHLY MINIMUM CHARGES:

For 5/8 inch by 3/4 inch meter	\$1.20
For 3/4 inch meter	1.50
For 1 inch meter	2.00
For 1 1/2 inch meter	2.50
For 2 inch meter	3.00
For 3 inch meter	4.00
For 4 inch meter	5.00

MONTHLY METER RATES:

For use from 0 to 400 cubic feet, per 100 cu.ft. . .	\$.30
From 400 to 1000 cubic feet, per 100 cu.ft.25
From 1000 to 5000 cubic feet, per 100 cu.ft.20
All in excess of 5000 cubic feet, per 100 cu.ft. .	.15

MONTHLY FIRE HYDRANT RATE:

Fire Hydrants, 2 1/2 inch opening, each	\$.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 5th day of November, 1921.

H. J. Brundage
H. J. Brundage
William Martin
Charles J. Fowler
W. J. Brundage