

Decision No. 9976.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)
of WHITTIER WATER COMPANY for)
authority to increase rates.)

Application No. 4815.

James S. Bennett, for Whittier Water Company.

Fredrick W. Smith and D. L. DiVecchio, for
J. O'Sullivan and C. E. Benton.

Frank S. Swain, for E. O. Dickinson and Anna
Warne; also for Jesse M. Robertson, water
user in Luitweiler Tract.

Haas & Dunnigan by Walter F. Haas; and Bradner
W. Lee, Kenyon F. Lee and Bradner W. Lee, Jr.,
by Kenyon F. Lee, for deeded water right owners.

A. Moore, for himself and Alice E. Moore as
owners of Lots 72 and 74 in the Orcharddale
Tract; also for G. C. Ivey.

BENEDICT, Commissioner.

O P I N I O N

Whittier Water Company, applicant herein, engaged in the business of delivering water for domestic and irrigation use in the vicinity of the City of Whittier, Los Angeles County, asks permission to increase rates, alleging in effect that its present revenues are inadequate.

This application was filed August 2, 1919, and subsequently a large number of protests were received, raising the question of

this Commission's jurisdiction as to certain phases of the Whittier Water Company's operations. After protracted argument, hearings and briefs the matter was submitted on the preliminary question of jurisdiction, and the Commission by its order on June 28, 1921, (Decision No. 9171), dismissed the proceeding as to certain protestants, in so far as it referred to the service of water by the applicant to such protestants pursuant to the terms of the contracts or deeds referred to in the protests.

The matter then came up for further hearing on the 16th of September, 1921, at Los Angeles before Commissioner Benedict, and further evidence was submitted at that time by the applicant and by the Commission bearing directly upon the question of rates. At the conclusion of this hearing it was stipulated by all parties concerned that the matter might be deemed submitted, upon the evidence which had been presented, for the purpose of fixing a temporary rate pending a final decision.

Subsequently, on October 28, 1921, by Decision No. 9675 the Commission made its order fixing temporary rates for public utility service by Whittier Water Company upon the ground that the evidence which had been introduced indicated clearly that the rates charged by the utility were unreasonably low and that an increase was justified. The temporary rates fixed by this decision were as follows:

METER RATES - DOMESTIC

	<u>Per Month</u>
First 600 cubic feet or less.....	\$ 1.00
Next 1400 cubic feet per 100 cubic feet.....	.12
All over 2000 cubic feet, per 100 cubic feet.....	.07

IRRIGATION RATES

Per miner's inch hour..... 4 cents.

A further hearing was held on December 6, 1921, at Los Angeles, at which the protestants submitted evidence as to the value

of the plant and the reasonable annual maintenance and operating expense. A comparison of the various figures submitted as to the cost of the water system is as follows:

Whittier Water Company.....	\$579,753
Willis S. Jones, for the protestants.....	424,030
M.E. Ready, one of the Commission's hydraulic engineers,.....	560,969

Mr. Jones, in making his estimate, accepted in the main the figures of original cost submitted by the utility. The principal exception to this was in the amount allowed for lands devoted to water operations, in that he used only a portion of the amounts claimed by the company, and then deducted from this figure the total sums received by the company for sales of water-rights and other property. It is evident that this method has resulted in certain duplicated deductions, and after a careful consideration of all the evidence submitted I believe the sum of \$560,000 is a fair and reasonable rate base for this proceeding.

Mr. Ready estimated the future reasonable maintenance and operating expense, exclusive of depreciation, at \$59,533 per year. Mr. Jones estimated this expense at \$55,415. The applicant did not submit any estimate, but produced evidence to show that certain items such as pumping labor and fuel costs in the foregoing estimates were too low. I believe that \$59,500 is a reasonable allowance for maintenance and operating expense, and that an additional allowance of \$7,933 should be made for depreciation annuity.

The annual charges based upon the foregoing items are then as follows:

Return at 8% on \$560,000.....	\$44,800
Depreciation annuity.....	7,933
Maintenance and operating expense.....	59,500
Total.....	\$112,233

As many of the consumers under this system are supplied with water at rates fixed by certain contracts or deeds over which

this Commission has no jurisdiction, it is apparent that the rates established in the accompanying order can be applied only to such water as is delivered to public utility consumers.

It is evident that to compel the public utility consumers to pay rates sufficiently high to make up deficiencies in revenue caused by the low contract rates would result in prohibitive charges, and the rates fixed should be so designed as to assess to these public service consumers costs which are in proper proportion to the annual charges. Obviously the most reasonable and simple method of achieving this result will be to establish what would be a fair rate if every consumer were a public user.

It is estimated that the utility would receive a return approximately equal to the total annual charges set out above if the temporary rates fixed in Decision No. 9675 could be applied to all consumers under the system, and I recommend that these temporary rates be hereafter charged for water delivered to public utility consumers.

At the hearings in this matter the proposal of establishing one rate for water supplied to consumers below the main ditch and another rate for service to those above the main ditch was gone into very thoroughly. The argument in favor of two different rates was based on the fact that water supplied to the latter class of consumers is pumped twice. The evidence shows, however, that the pumping operations conducted by the utility are so variable and complicated that an attempt to fix different rates, based upon the actual costs or even the approximate actual costs of the service rendered, would result in endless complications. It therefore appears that the only practical solution of the matter will be to establish a single rate based as nearly as possible upon the average cost of producing the supply.

At the hearings in this proceeding there was also consid-

ered the matter of the investigation on the Commission's own motion into the rules, practices, facilities and service of the Whittier Water Company, California Domestic Water Company and La Habra Water Company (Case No. 1658), and also the complaint of Edmund O. Dickinson and Anna Warner against Whittier Water Company (Case No. 1659). It appears, however, that the questions raised in these two proceedings cannot be settled by the Commission at this time, for the reason that many of the matters involved are before the Superior Court of the State, and the Commission's decision should therefore be held in abeyance until the Civil Court proceedings are completed.

I recommend the following form of order:

O R D E R

Whittier Water Company having made application for permission to increase rates, public hearings having been held thereon and the matter having been submitted,

IT IS HEREBY FOUND AS A FACT that the temporary rates established by this Commission in its Decision No. 9675, dated October 28, 1921, as set forth in the schedule hereinafter prescribed, are just and reasonable rates to be charged by Whittier Water Company for water supplied to its public utility consumers.

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

IT IS HEREBY ORDERED that the Whittier Water Company, on or before the effective date of this order cause to be filed with this Commission its rates and thereafter charge for public utility service of water in accordance with the following schedule:

METER RATES - DOMESTIC

	<u>Per Month</u>
First 600 cubic feet or less.....	\$ 1.00
Next 1400 cubic feet per 100 cubic feet.....	.12
All over 2000 cubic feet, per 100 cubic feet.....	.07

IRRIGATION RATES

Per miner's inch hour (72 cubic feet)..... 4 cents.

IT IS HEREBY FURTHER ORDERED that Whittier Water Company be and the same is hereby directed to file with this Commission within thirty (30) days of the date of this order rules and regulations governing its relations with consumers, such rules and regulations to become effective upon their acceptance by the Commission.

IT IS HEREBY FURTHER ORDERED that the portion of the order in this Commission's Decision No. 9675 reading as follows: "That said company shall impound and hold intact in a separate fund all moneys collected hereunder in excess of the rates heretofore authorized," be and the same is hereby vacated.

The effective date of this order is hereby fixed and designated as the first day of February, 1922.

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 9th day of January, 1922.

J. B. Rindig
H. D. Leland
Erving Warren
Robert W. Lawrence
J. J. Condit
Commissioners