

Decision No. 28094

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
AMERICAN STATES WATER SERVICE COMPANY  
OF CALIFORNIA for an order establishing  
rates in its Lennox service area.

Application No. 19498.

Paul Overton, for Applicant.

BY THE COMMISSION:

O P I N I O N

ORIGINAL

In the above entitled application, the American States Water Service Company of California, a corporation engaged in the business of selling and distributing water for domestic and commercial purposes to residents of the unincorporated territory known as the Lennox District, lying between Hawthorne and Inglewood, Los Angeles County, asks the Railroad Commission for authority to change its existing water rates.

A public hearing in this matter was held at Los Angeles by Examiner MacKall.

The present rates of this utility were established by the Railroad Commission in its Decision No. 6082, dated January 27, 1919. At that time this utility was owned and operated by the Inglewood Water Company whose service area included the City of Inglewood. The rates so established are as follows:

|   |        |
|---|--------|
| Minimum charge for 300 cubic feet or less-----        | \$0.75 |
| From 300 to 2,000 cubic feet, per 100 cubic feet----- | .15    |
| Over 2,000 cubic feet, per 100 cubic feet-----        | .09    |

The records show that in 1919 the Inglewood Water Company sold that portion of its water system within the city limits of

Inglewood to that municipality and retained the right to purchase, at a fixed rate of six cents (6¢) per 100 cubic feet, all the water required to supply its consumers on the portion of the system which it still retained and operated. However, since acquiring the property, applicant has undertaken to reduce this cost of water by developing its own water supply. This has been quite difficult, due to the character of the underground waters available throughout this area. The water so developed requires elaborate filtration and treatment to make it satisfactory for household use although the raw water itself is neither contaminated nor detrimental to health in any way. Filtration equipment has cost the utility considerable money and is also quite expensive to operate and maintain.

The testimony shows that applicant does not desire an increase in its total revenue but feels that, from the numerous requests from its consumers and certain improvement associations within its Lennox district, the large majority of its consumers desire a readjustment in the rate structure which will provide a greater quantity of water for the minimum charge and more equitably distribute the charges according to the actual use of water. As the revenues to be derived under the proposed adjusted rate schedule will not increase the gross revenues but, on the contrary, may result in a reduction therein, the matter of physical property appraisal is not controlling; however, for general information, especially as to depreciation, the results of an appraisal submitted by C.P. Harnish, Chief Engineer for applicant, and F.H. Van Hoesen, one of the Commission's engineers, will be set out below:

|  | <u>Company</u> | <u>Commission</u> |
|--|----------------|-------------------|
| Estimated Historical Cost as of March 1, 1934--                                  | \$267,319.70   | \$263,883.00      |
| Same as of December 31, 1934-----  | 270,107.30     | -                 |
| Depreciation Annuity on Properties as of<br>March 1, 1934 - 5% Sinking Fund----- | 4,138.70       | 3,868.28          |
| Depreciation on New Properties<br>March 1, 1934, to December 31, 1934-----       | 559.35         | -                 |
| Operating Revenue - 1934-----  | 57,426.19      | 57,426.19         |
| Operating Revenue - 1933-----  | 52,754.20      | -                 |
| Maintenance and Operating Expense - 1933-----                                    | 38,794.37      | 38,794.37         |
| Maintenance and Operating Expense - 1934-----                                    | 45,523.96      | 45,523.96         |

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The above items showing the total cost of operation, compared to the revenue received, indicate that the present rates yield slightly more than five per cent on invested capital, a rate of return not considered unreasonable in connection with the operation of this plant.

The rates submitted by applicant are the same as those now charged by the municipal water system operated by the City of Hawthorne, adjacent to the southern boundary of the Lennox district, and considerably lower than the rates charged by the municipal water system of the City of Inglewood, which adjoins the territory on its northern boundary. This rate applied to the water use for 1934 shows a slight decrease in the total revenue as compared with the present rates.

No protest was made against the schedule of rates proposed by applicant and, as said schedule appears reasonable and will benefit the overwhelming majority of consumers who desire to beautify their homes and gardens, it will be established in the following Order.

### O R D E R

American States Water Service Company of California, a corporation, having made application to the Railroad Commission for an order establishing rates in its Lennox district, Los Angeles County, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the

premises,

It is hereby found as a fact that the present rates of American States Water Service Company of California, a corporation, in its Lennox district, Los Angeles County, in so far as they differ from the rates herein established, are unjust and unreasonable and that the rates herein established are just and reasonable rates to be charged by said company for service rendered hereafter on its Lennox district water system, and

Basing its order upon the foregoing finding of fact and upon the further statements of fact contained in the Opinion preceding this Order,

IT IS HEREBY ORDERED that American States Water Service Company of California, a corporation, be and it is hereby authorized and directed to file with this Commission, within thirty (30) days from the date of this Order, the following schedule of rates to be charged for all service rendered on its Lennox district water system subsequent to the 15<sup>th</sup> day of July, 1935:

METER RATES

Monthly Minimum Charges:

|                           |         |
|---------------------------|---------|
| 5/8 x 3/4-inch meter----- | \$ 1.25 |
| 3/4-inch meter-----       | 1.75    |
| 1-inch meter-----         | 3.00    |
| 1 1/2-inch meter-----     | 5.00    |
| 2-inch meter-----         | 8.00    |
| 3-inch meter-----         | 10.00   |
| 4-inch meter-----         | 15.00   |

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following "Monthly Quantity Rates."

Monthly Quantity Rates:

|          |   |         |
|----------|---|---------|
| First    | 1,000 cubic feet, per 100 cubic feet----- | \$0.125 |
| Next     | 1,000 cubic feet, per 100 cubic feet----- | .11     |
| Next     | 2,000 cubic feet, per 100 cubic feet----- | .09     |
| All over | 4,000 cubic feet, per 100 cubic feet----- | .08     |

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For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 8<sup>15</sup> day of July, 1935.

*[Signature]*  
W. B. Harris  
M. B. Harris  
*[Signature]*  
Commissioners.