

Decision No. 20324

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Fernwood Water Committee,
Complainant,

vs.

R. W. Sparling, Inc.,
Defendant.

Case No. 4060

ORIGINAL

In the Matter of the Application
of R. W. Sparling, Inc. for in-
crease of rates and revision of
certain rules and regulations.

Application No. 20324

Archie L. Booker, for complainants.
C. H. Scharnikow, for Fernwood Park
Water Users.
Maurice C. Sparling, for R. W. Sparling,
Inc., defendant and applicant.

BY THE COMMISSION:

O P I N I O N

R. W. Sparling, Inc., operates the two water systems in-
volved in these proceedings, one supplying approximately 180 con-
sumers in Fernwood Park in Topanga Canyon, the other serving some
80 water users in Kagel Canyon Park located about three miles
northeast of San Fernando, both tracts being in Los Angeles County.
The complaint was filed by a committee representing water users in
the Fernwood Park territory and alleges an entirely inadequate water
supply and demands additional water, together with the complete
metering of the system which is now on about a forty per cent flat

rate service basis. Defendant conceded a lack of sufficient water in Fernwood Park but alleged that the area was one in which water was exceedingly scarce and difficult to obtain in adequate volume and that it had purchased water from all available sources to augment its supply during the dry seasons and, further, that it could not afford to spend more money prospecting for a new supply under existing rates which, it claimed, fail to produce bare operating expenses. During the original hearing of this case, R. W. Sparling, who operates the properties, stated that the corporation would be willing to spend in the neighborhood of five thousand dollars (\$5,000) to develop additional water provided the Commission would increase the existing rates to yield a fair return upon the investment and asked that final decision in the matter be withheld until formal application for such an increase could be filed and heard. Thereafter such application was filed and both matters were combined for hearing⁽¹⁾ and decision.

Public hearings in the above entitled proceedings were held in Los Angeles.

SERVICE.

The evidence shows that Fernwood Park and Kagel Canyon Park water plants, although located some thirty miles apart, were installed by the same subdivider who later sold them to R. W. Sparling, Inc. This corporation obtained a certificate of public convenience and necessity for the Fernwood plant on August 30, 1928, Decision No. 20187, and for the Kagel Canyon system on February 8, 1929, Decision No. 20772. As both systems were op-

1. An adjourned hearing in Case No. 4060 was held for this purpose and to permit water users to present additional testimony.

erated by the same employees and conditions of service were similar, the same schedule of rates was established for each. Service in both areas is difficult and costly, the consumers having their homes in the canyons which at these places have steep, rugged and precipitous hillsides. In Kagel Canyon, service elevations vary as much as 700 feet and in Fernwood Park in Topanga Canyon the difference is 1,200 feet. While the water supply in the Kagel Canyon Park system obtained from a deep well appears sufficient for present consumer demands, the water is so highly mineralized that it causes much dissatisfaction to its users, mainly from its iron content producing a red, rusty stain at times. The water, however, is potable and in no wise injurious to health.

The engineering data submitted conclusively shows that Fernwood Park is located in a section of Topanga Canyon where there is less than one-half a square mile of catchment area available to charge the underground water supply; that the geological formation throughout the canyon and general vicinity is such that water is procured only in certain fissures encountered in the rock strata and in small and very limited amounts; and that there are no wells or infiltration tunnels in the area capable of producing a sufficient volume of water for the needs of the residents. It also appears that the isolated location of the park tract is such that water cannot be brought in from outside sources except at a cost far beyond the resources of the present population involved. Conditions here are such therefore that reliance for more water must be placed upon the uncertainty of drilling more wells or tunnels. The existing supply being inadequate, the utility should make all reasonable efforts to provide sufficient water of proper quality for the needs of its consumers upon whose shoulders will

necessarily fall a corresponding obligation to pay a rate which will enable the utility to operate without an out-of-pocket loss and with a fair and just return under the circumstances upon the investment in utility properties.

RESULTS OF OPERATION.

The evidence shows that the estimated historical cost of both water plants involved herein may reasonably be taken at sixty-two thousand three hundred and thirty dollars (\$62,330) for the purposes of this proceeding with a corresponding depreciation annuity of nine hundred and three dollars (\$903) based upon the sinking fund method of computation at five per cent. Operating expenses per annum amount to three thousand one hundred dollars (\$3,100) and revenues have averaged four thousand two hundred and twenty-one dollars (\$4,221) during the past two years. These figures indicate a net yield of less than one-half of one per cent upon invested capital under existing conditions and also show that the utility should in fairness be entitled to an increased rate if it is to be required to expend in the neighborhood of five thousand dollars (\$5,000) in improving water quality and supply.

The present rates are below the average charges made for providing service under such natural physical disadvantages. While there were many protests made against the granting of any increase in rates, yet it is very clear that, in order to comply with the unanimous demand of the consumers for improvements in service, the establishment of increased charges is necessary. It should be pointed out here that this portion of Los Angeles County is semi-arid in climate with a mean seasonal rainfall slightly less than twenty inches, frequently dropping to as low as eight inches. This fact, together with the isolation of these two sparsely settled areas, renders the production and distribution of

water a more costly process than obtains generally in more favorably situated localities. This situation should be given due consideration by all residents and property owners in these and similarly situated canyon and foothill properties having low annual precipitation.

Set out below is the present schedule of rates.

FLAT RATE SCHEDULE

	<u>Six-Month Term Pay- able in Advance</u>	<u>One Year Payable in Advance</u>	<u>Each Additional Month in Calen- dar Year in Ex- cess of 6- month term</u>
Dwellings of not over 3 rooms, occupied by single family-----	\$12.00	\$18.00	\$1.50
For each additional room-----	2.00	3.00	.25
Sprinkling or irrigation of lawns, shrubbery, trees or garden, per square yard of surface actually irrigated-----	.05	.07	.005

METER QUANTITY RATES

From 400 to 1,000 cubic feet, per 100 cubic feet-----	\$0.40
Next 1,500 cubic feet, per 100 cubic feet-----	0.35
All over 2,500 cubic feet, per 100 cubic feet-----	0.25

MINIMUM CHARGE

5/8-inch meter-----	\$12.00	\$ 18.00	\$1.50
3/4-inch meter-----	18.00	27.00	2.25
1-inch meter-----	24.00	36.00	3.00
1 1/2-inch meter-----	36.00	54.00	4.50
2-inch meter-----	72.00	108.00	9.00

Meters may be installed at request of consumer or by the utility.

The minimum charge shall entitle the consumer to 400 cubic feet of water per month for each month of the six-months' and twelve-months' terms and for all minimum charges in excess of \$12.00; such excess amount shall, in addition to the above 400 cubic feet per month, entitle the consumer to that amount of water which said excess amount will purchase at the quantity rates set out above. All water in excess of 400 cubic feet per month shall be charged for monthly under the above meter quantity rates.

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The utility has requested the elimination of the annual and semi-annual rates because the former summer and holiday type of intermittent use has gradually given way to a more permanent all-year demand. A schedule is proposed by applicant based upon a flat rate charge of three dollars (\$3.00) per month for a single family residence of three rooms or less with an additional charge of fifty cents (50¢) per month for each additional room and an extra charge for lawn or garden sprinkling, together with a monthly minimum charge for metered service for 5/8-inch meters of three dollars (\$3.00) entitling the consumer to 300 cubic feet of water. Additional water is fixed at seventy-five cents (75¢) and fifty cents (50¢) per 100 cubic feet.

The rates proposed by applicant are higher than conditions warrant. The schedule set out in the following Order will provide for more water under the monthly minimum allowance for measured service and also for additional water at a very substantial reduction in the quantity rate. While the monthly minimum charges are considerably more than existing rates under the present annual and semi-annual basic charges, the total revenues will barely yield a fair net return on the invested capital including the cost of the proposed improvements which will be directed to be made in the Order following under plans subject to approval of the Commission. Under the circumstances, it appears most equitable that the new schedule of rates be made effective only when the Commission has given its final approval, by letter or otherwise, of the installation and satisfactory operation of the above mentioned improvements.

On account of the considerable expense involved in fully metering both systems at present, no direct order will be made in

this connection. However, it is suggested that, to conserve as much water as possible in consumer distribution and also to avoid the usual inequities and the discrimination arising from flat rate service, metering be continued as rapidly as utility finances will permit.

O R D E R

Complaint and application as above entitled having been filed with the Railroad Commission, public hearings having been held thereon, the matters 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 R. W. Sparling, Inc., a corporation, in effect in its Fernwood Park and Kagel Canyon Park districts, 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 the service rendered, and

Basing this Order upon the foregoing finding of fact and on the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that R. W. Sparling, Inc., be and it is hereby authorized and directed to file with the Railroad Commission of the State of California, within thirty (30) days from the date of this Order, the following schedule of rates to be charged its consumers for all water delivered in the above districts, effective as hereinafter provided.

METERED RATES FOR ALL CLASSES OF SERVICE

Minimum Monthly Charges:

5/8 x 3/4-inch meter-----	\$ 2.50
3/4-inch meter-----	3.50
1-inch meter-----	5.00
1 1/2-inch meter-----	8.00
2-inch meter-----	12.00

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

Monthly Quantity Rates:

From 0 to 400 cubic feet, per 100 cubic feet-----	\$3.00
From 400 to 3,000 cubic feet, per 100 cubic feet-----	.50
All over 3,000 cubic feet, per 100 cubic feet-----	.30

FLAT RATE SCHEDULE

Dwellings of not over three rooms per month-----	\$2.50
For each additional room per month-----	.50
Sprinkling or irrigating lawns, shrubbery, trees or garden, per square yard of surface actually irrigated, per month-----	.005

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IT IS HEREBY FURTHER ORDERED as follows:

1. Within sixty (60) days from and after the date of this Order, R. W. Sparling, Inc., a corporation, shall file with this Commission, subject to its approval, plans for the development of additional water for use in its Fernwood Park service area and plans for the improvement of service and the quality of the water supplied to its consumers by the Kagel Canyon Park system.
2. The schedule of rates established in the Order herein shall become effective only upon the installation of the improvements as provided for in Paragraph 1 preceding in a manner satisfactory to this Commission and authorization by it through letter or otherwise to place said new schedule of rates in effect.
3. R. W. Sparling, Inc., a corporation, shall file with the Railroad Commission of the

State of California, within thirty (30) days from and after the date of this Order, revised rules and regulations governing relations with its consumers, said rules and regulations to become effective upon their acceptance for filing by this Commission.

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 2^d day of November, 1936.

M. Belandis

Leon O'Whidell

W. H. Cunn

M. H. ...

James R. Deven
Commissioners.