

Decision No. 21608

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
B. J. LEWIS PUBLIC UTILITY WATER  
SYSTEM for an increase in rates.

Application No. 21608

Austin E. Longcroft in behalf of  
Fred Mansur, for applicant.

BY THE COMMISSION:

O P I N I O N

B. J. Lewis, under the fictitious firm name and style of B. J. Lewis Public Utility Water System, operates a public utility water works in Tract Nos. 7806 and 8910 located in Topanga Canyon, Los Angeles County, and in this proceeding asks the Commission for authority to increase his rates for water service.

A public hearing in this matter was held before Examiner McCaffrey at Los Angeles.

According to the evidence this water system originally was operated in Topanga Canyon under the name of Topanga Mutual Water Company. It was acquired by applicant B. J. Lewis in the spring of 1934 and a certificate of public convenience and necessity was obtained to operate the plant as a public utility through Decision No. 27503 in Application No. 19458, dated November 5, 1934. Throughout the area served, as well as in surrounding and adjacent territory, water is exceedingly scarce and difficult to obtain in quantities adequate for service to a community or to satisfy the

requirements of a fairly large group of water users living in a residential tract. Applicant has relied heretofore upon a well as his sole source of supply. During the past year, however, this well suddenly failed and was unable to produce sufficient water to meet consumer demands. In order to maintain service, a connection was made to the adjacent system operated by R. W. Sparling, Incorporated, and water was purchased from this source pending repair and rehabilitation of applicant's well. These extraordinary expenses placed a very heavy drain upon the financial resources of this small utility with the result that application has been made to this Commission for an increase in rates.

Request is made for an immediate increase of one dollar (\$1.00) per month for each consumer until the new well, now being drilled, can be completed and placed in production. Further request is made that the schedule of charges be increased to five dollars (\$5.00) per month for each consumer as soon as the new well is connected to the system for the purpose of amortizing the cost thereof and that when this amount, estimated to be about twenty-seven hundred dollars (\$2,700), has been written off, such a modified schedule of rates be substituted therefor as may be determined just and proper by the Railroad Commission. The present schedule of rates is based upon a flat and minimum meter charge of two dollars and fifty cents (\$2.50) per month and was authorized by the Commission in Decision No. 29565 in Application No. 20684, dated March 1, 1937, as follows:

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:

First 300 cubic feet or less-----	\$ 2.50
Next 2,700 cubic feet, per 100 cubic feet-----	.60
Over 3,000 cubic feet, per 100 cubic feet-----	.40

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 irrigated, per month--	.005

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In support of his request for increased rates, applicant submitted figures taken from his Annual Report for the year 1937 on file with the Railroad Commission. A report summarizing the investigation of the affairs of this utility was presented by F. H. Van Hoesen, one of the Commission's hydraulic engineers. The evidence and testimony submitted show that the estimated historical cost of the properties, including the estimated cost of the new well upon completion, amounts to twenty thousand two hundred and twelve dollars (\$20,212) with a corresponding depreciation annuity of four hundred and twenty-eight dollars (\$428), calculated by the sinking fund method at five percent. The operating expenses for the year 1937 amounted to eighteen hundred seventy-four dollars (\$1,874) and the total gross revenue for the same period was eighteen

hundred and eighty-nine dollars (\$1,889). However, the record shows that during the year 1937 considerable extraordinary expenses were incurred which would not be necessary normally in an average year. These expenses were made necessary by reason of the failure of the well and the necessity of installing a connecting pipe line for the purchase of water from outside sources as stated above. Giving fair consideration to the extraordinary operating expenses and to the amortization thereof over a reasonable period of years, the necessary and proper annual operating costs, including depreciation annuity, should amount to approximately seventeen hundred and eight dollars (\$1,708). The evidence shows that under existing rates a full year's revenue should amount to two thousand dollars (\$2,000) which will provide a net return by way of interest of 1.4 percent upon the capital investment. No provision has been made in the figures presented above for the amortization of the cost of the new well. The proposal that the entire cost of the new well be charged against and paid for by the consumers through a surcharge on rates rather than being treated as an item of fixed capital is wholly improper and unnecessary and will not be permitted. Under the circumstances the Commission must necessarily disapprove the request for the establishment of a temporary monthly minimum charge of five dollars (\$5.00) to each consumer served. It should be noted that the territory supplied by this utility is still in the development stage and is but partially settled which makes it entirely unreasonable to establish a rate which would provide for a full net return upon the investment. Nevertheless, under the present conditions of operation, it appears that in all fairness an increase in revenues is justified. The rates established in the following Order should provide proper reimbursement to the operator of this utility

and at the same time should place no excessive burden upon the water users.

O R D E R

Application as above entitled having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted and the Commission now being fully advised in the premises,

It is hereby found as a fact that the present rates of B. J. Lewis Public Utility Water System in effect on Tract Nos. 7806 and 8910, 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 B. J. Lewis Public Utility Water System 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 B. J. Lewis be and he 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 his consumers for all water delivered in the above named tracts subsequent to the 30<sup>th</sup> day of April, 1938.

METERED RATES FOR ALL CLASSES OF SERVICE

Minimum Monthly Charges:

5/8 x 3/4-inch meter-----	\$ 3.00
3/4-inch meter-----	4.00
1-inch meter-----	6.00
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:

First	300 cubic feet or less-----	\$3.00
Next	2,700 cubic feet, per 100 cubic feet-----	.75
All over	3,000 cubic feet, per 100 cubic feet-----	.50

FLAT RATE SCHEDULE

Dwellings of not over three rooms, per month-----	\$3.00
For each additional room, per month-----	.50
Sprinkling or irrigating lawns, shrubbery, trees or garden, per square yard of surface irrigated, per month-----	.006

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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 24<sup>th</sup> day of April, 1938.

[Signature]  
[Signature]  
[Signature]  
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Commissioners