

Decision No. 36560

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

**ORIGINAL**

In the Matter of the Application of  
EAST GARDENA WATER COMPANY for order  
for authority to increase rates.

Application No. 25627.

C. E. Spencer, for Applicant.

BAKER, COMMISSIONER:

O P I N I O N

In this proceeding East Gardena Water Company, a corporation, engaged in the business of producing, distributing and selling water for irrigation purposes within an area containing some 450 acres, more or less, lying easterly of the City of Gardena, in the County of Los Angeles, asks for authority to increase the rate for water delivered from \$1.00 to \$1.25 per hour for the capacity of each of its two pumps. Each of these said pumps are reported to have a capacity of 750 gallons per minute.

A public hearing in this proceeding was held at Los Angeles.

East Gardena Water Company was incorporated June 7, 1902, as a non-profit mutual organization. Thereafter, however, said Company altered its mutual status by selling water to others than its stockholders. On April 14, 1914, said Company filed with this Commission the following rate for irrigation water:

"Per hour for all water used.....\$1.25"

This rate remained unchanged until the year 1934, when it was reduced voluntarily by the Company for that season only to \$1.00 per hour. However, the reduced rate actually was continued in effect each year thereafter and is still being charged. The Commission is asked to restore the \$1.25 per hour rate.

The water supply is obtained from two wells 16 inches in diameter - one cased to a depth of 210 feet and the other to 240 feet. Each is equipped with electrically driven deep well turbine pumps discharging into concrete standpipes from which the water is distributed by gravity through 14,600 feet of 10 and 12-inch pipe lines. Applicant does not furnish domestic water service.

Mr. C. E. Spencer, Secretary of the Company, testified that applicant's operations for many years last past have not produced sufficient revenues to meet maintenance and operating expenses. This condition has been in part the result of the reduction in rates, a decrease in area served through conversion of irrigated lands to oil drilling, and production. It appears that other lands have been sold for residential purposes. One large water user has provided his own supply through a new well. These losses in revenue, claims the secretary, have been met for several years past largely from funds realized from the sale of land to the city of Los Angeles in 1927.<sup>(1)</sup> The nonoperating revenues from this source having now been exhausted, applicant asks that its rates be increased to yield sufficient income to meet actual maintenance and operation expenses. A return on the capital invested is not expected, nor is it asked for.

Mr. V. R. Muth, one of the Commission's hydraulic engineers, presented a report containing an analysis of the Company's annual reports to the Commission, and studies of its operation accounts. The investment in fixed capital as of December 31, 1942, was shown to be \$16,382. Depreciation allowance computed by the sinking fund method at 5 per cent, totals \$206.

Reported results of operation as shown by annual reports filed with the Commission for the five years 1938 to 1942, inclusive, are summarized on the following page.

---

(1) C.R.C. Decision No. 18127, dated March 30, 1927, in Application No. 13457.

| Year   | Operating Expenses Less Depreciation | Operating Revenue From Sales | Net Income From Water Sales | Non-Operating Revenues | Gross Corporate Income |
|--------|--------------------------------------|------------------------------|-----------------------------|------------------------|------------------------|
| 1938   | \$ 3,135                             | \$ 2,610                     | \$ (525)                    | \$ 859                 | \$ 334                 |
| 1939   | 2,899                                | 2,727                        | (172)                       | 497                    | 325                    |
| 1940   | 2,888                                | 4,333                        | 1,445                       | 545                    | 1,990                  |
| 1941   | 3,254                                | 1,495                        | (1,759)                     | 91                     | (1,568)                |
| 1942   | 2,603                                | 2,240                        | (363)                       | 438                    | 75                     |
| Totals | \$14,779                             | \$13,405                     | \$ (1,374)                  | \$2,430                | \$1,056                |

(Red Figures)

Mr. Muth estimated normalized operating expenses, including an allowance for depreciation, to be \$2,984 per annum. He estimated the annual revenue from 1942 operations at the requested rates to be \$2,792. The results of operation for that year based upon the above estimated revenues and expenses would indicate a loss of \$192.

It is clear that the proposed rate will not under present circumstances produce any return on the capital invested, but it will produce sufficient revenue to provide approximately the estimated necessary maintenance and operating expenses, exclusive of depreciation.

There were no protests at the hearing against granting the rate requested. However, it is suggested that, whenever the finances of this utility shall permit, it install on the discharge pipe of each pump an inexpensive type of measuring device to permit a check on the output of said pumps.

The rate schedule set out in the following Order will provide for establishment of the rate proposed by Applicant.

The following form of Order is suggested.

O R D E R

Application as entitled above 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 rates now charged by East Gardena Water Company, a corporation, for irrigation water delivered to its consumers near the City of Gardena, Los Angeles County, are unjust and

unreasonable, in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for the service rendered; and

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

IT IS HEREBY ORDERED that East Gardena Water Company, a corporation, be and it is hereby authorized and directed to file with the Railroad Commission, within thirty (30) days from the date of the Order, the following schedule of rates to be charged for all water delivered to its consumers on and after the first day of August, 1943:

Schedule No. 1

FLAT RATE IRRIGATION SERVICE

Applicability

Applicable to all irrigation water service.

Territory

Entire area of service east of Gardena, Los Angeles County.

Rate

Per hour for capacity of one pump, \$1.25

Special Conditions

A consumer will be entitled to the entire capacity of either one of the Company's two pumping plants for as many hours as he shall make application for, subject to such necessary limitations and regulations as to pumping hours available in order that it may distribute the output of its pumping plant equitably among its consumers.

IT IS HEREBY FURTHER ORDERED that East Gardena Water Company, a corporation, be and it is hereby directed as follows:

1. Within thirty (30) days from the date of this Order, to submit to this Commission for its approval four sets of rules and regulations governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of its present service area, and the location thereof with reference to the surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

2. Within sixty (60) days from the date of the Order, to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service, provided, however, that such map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

IT IS HEREBY FURTHER ORDERED that for all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

The foregoing Opinion and Order are hereby approved and filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 17<sup>th</sup> day  
of August, 1943.

Francis D. Havenue  
J. J. Baker  
Justice J. Conner  
Richard Jackson

Commissioners