

Decision No. 37667

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Application of AIRWAYS WATER COMPANY, INC.,
for authority to assess consumers for ex-
tension costs.

Application No. 26407

OPINION AND ORDER DISMISSING APPLICATION

Upon consideration of the instant application, filed on October 20, 1944, we find that such application must be dismissed, because applicant water utility seeks authority to raise some \$19,000 by levying assessments upon customers within a subdivision, seemingly for the purpose of paying costs incurred by the owner of the subdivision in constructing a distribution system therein.

Applicant water utility serves certain unincorporated territory near Los Angeles. Since applicant's organization and certification in 1941, service has been extended to several tracts. The present application alleges that in 1944 the owner of two additional tracts, comprising some 72 acres within the utility's service area, developed such tracts as a necessary housing project, and requested extension of service to the new development. The application also alleges that because of applicant's inability to secure necessary funds or credit to provide the extension, the tract owner employed a construction company to install a distribution system extension in the two tracts. Attached to the application is a copy of a contract between the tract owner and the construction company, by which the latter agreed to install a water supply system on the owner's land, and the owner agreed to pay \$19,195.98 therefor. Applicant utility is not a party to that contract and is not mentioned therein.

Applicant alleges that it cannot now secure any credit to pay for or refund to the tract owner any of the contract price for the

construction of the water system to the new housing project. It is also alleged that the present flat rate of \$1.50 per month is not sufficient to meet necessary operating expenses, and has never been sufficient to pay any return on invested capital. In order to pay the tract owner for the cost of installing the distribution system on such owner's land, the utility asks permission to assess each of the 370 consumers in the two tracts a monthly assessment of 45 cents, in addition to the established flat rate of \$1.50 per month.

The Commission cannot authorize a utility to levy assessments upon a group of consumers for the purpose of providing money for capital expenditures. Much less may a utility assess its customers in order to raise money to be turned over to another corporation to meet such corporation's contractual obligations.

If present rates fail to provide enough revenue to pay necessary operating expenses, or a fair return upon an appropriate rate base, applicant should seek relief by the filing of an application to establish reasonable rates.

IT IS ORDERED that Application No. 26407 is hereby dismissed.

Dated, San Francisco, California, this 6th day of February,

1945.

L. Harold Anderson
Justin F. Casper
Richard Jackson
Thomas W. Berry
Walter H. Powell
Commissioners