

Decision No. 38130

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of:

NARBONNE RANCH WATER CO. NO. 2.

Application No. 26220

for an order authorizing increased rates for water service.

Gillmore Tillman, for Applicant.

Mrs. E. P. Chase, for Consumers.

BY THE COMMISSION:

O P I N I O N:

Narbonne Ranch Water Co. No. 2, a corporation, engaged in the business of supplying water for domestic and irrigation purposes in and near the unincorporated town of Lomita, Los Angeles County, asks the Commission for authority to increase the rates for water service.

The application alleges that the rates at present in effect do not produce sufficient revenues to meet operating expenses and earn a fair return upon the cost of the property devoted to water service. The application further alleges that a substantial portion of the facilities used in rendering water service now require, and will require, replacement in the near future and that the low revenues produced by the present rates make it impossible to procure the capital for such reconstruction.

The Commission is asked to establish a measured schedule of rates providing for a monthly minimum charge of \$1.25 for 1,000 cubic feet of water with intermediate block rates reducing the charges to 5¢ per 100 cubic feet for all use over 50,000 cubic feet.

A public hearing in this proceeding was held before Examiner Wm. Stava at Lomita.

The company has given the requisite notice to the Office of Price Administration of its application to the Commission for a rate adjustment.

This water system originally was installed in 1907 to serve a subdivided area covering Narbonne Ranch No. 2. It was operated as a mutual organization until the service was extended to the general public in the townsite of Lomita and adjacent lands. For a more detailed history of the system, reference is made to the Commission's Decision No. 6063, dated January 15, 1919, (16 CRC 408) and Decision No. 19602, dated April 13, 1928, (31 CRC 548).

The water is obtained by pumping from a 640-foot well into two 100,000-gallon storage tanks. Distribution is made by gravity through approximately 50,000 feet of mains varying from eight to one inch in diameter. The average number of consumers served during 1944 was 455, of which 13 were served on a flat rate basis and the balance through meters.

The domestic rates at present in effect provide for a minimum charge of \$1.50 per month with an allowance of 1,000 cubic feet of water, and all additional water is delivered at 5¢ per 100 cubic feet. A discount of 25¢ is granted domestic consumers for payments made on or before the 25th of the month in which the bill is presented. Under the proposed schedule this practice is to be discontinued in favor of granting all users a reduction of 25¢ per month. The irrigation rates provide for deliveries upon an hour-flow basis with a minimum charge of 75¢ per irrigation.

Mr. A. E. Cook, secretary and general manager for the water company, and Roy E. Sutherland, one of the Commission's hydraulic engineers, testified concerning the fixed capital installed, operating revenues and operating expenses, and presented estimates of revenue yield under the proposed rates and also the results of operation therefrom. A comparison of the essential elements of the testimony submitted by these witnesses is set forth as follows:

Items	Cook			Sutherland	
	Five-Year Period :1940-1944 :Inclusive	Year :1944 :Present :Rates	Year :1944 :Requested :Rates	Year :1944 :Present :Rates	Year :1944 :Requested :Rates
Rate Base (a)				\$66,272	\$66,272
Fixed Capital	\$48,726	\$51,256	\$51,256	64,241	64,241
Accrued Depreciation	30,894	32,995	32,995	31,808	31,808
Fixed Capital less Accrued Depreciation	\$17,832	\$18,261	\$18,261	\$32,433	\$32,433
Operating Revenues	\$11,392	\$11,127	\$13,002	\$11,031	\$13,025
Operating Expenses	\$ 9,558	\$ 9,698	\$10,167	\$ 9,698	\$10,172
Depreciation Allowance	1,203(b)	1,357(b)	1,357(b)	662(c)	668(c)
Total Operating Expense	\$10,761	\$11,055	\$11,524	\$10,366	\$10,840
Net Operating Revenue	\$.630	\$.72	\$ 1,478	\$.665	\$ 2,185
Return on Depreciated Fixed Capital	3.53%	.04%	8.1%	---	---
Return on Rate Base	---	---	---	1.0%	3.3%

(a) - Rate base includes \$2,031 for material and supplies and working cash.

(b) - Straight Line Depreciation.

(c) - Sinking Fund Depreciation at 5%.

Mr. Sutherland's estimate of original cost of the property was based upon a complete inventory and appraisal of the system and included property items not set up in the company's accounts.

The operating revenues and expenses presented by the two witnesses were in substantial agreement. Mr. Cook used the straight line method of computing depreciation while Mr. Sutherland used the sinking fund method at 5% in conformity with the general practice of this Commission in rate fixing.

Mr. Cook estimated the cost of necessary additions of new capital to be \$15,200 for the six-year period, 1945 to 1950, inclusive. The new capital items included pipe lines, a well and pump, truck, motors, etc., exclusive of and in addition to the cost of replacing worn out facilities.

The agricultural consumers were the only protestants against the increase in rates, claiming that the users of irrigation water would be compelled to bear the

entire burden of producing the revenue requested; The agriculturalists contended that the present rates were excessive in comparison to the charges of adjacent mutual water companies and water works districts, and that any increase in irrigation charges would result in curtailment of victory gardens and the production of feed for chickens, livestock and all other products grown in the company's service area.

From the results of operation, it is apparent that some adjustment in rates is necessary to insure the continuance of a satisfactory service for both domestic and irrigation purposes. However, the proposed rate structure places an unduly heavy burden upon those consumers using water in excess of 1,000 cubic feet per month, a group representing 46% of the users. In order that the charges be distributed more equitably and uniformly among all classes in accordance with water usage, a revised schedule of rates will be established in the following Order designed to yield approximately the same revenues.

ORDER

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 being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by Narbonne Ranch Water Co. No. 2, for water supplied its customers within the unincorporated community of Lomita and in the vicinity thereof, County of Los Angeles; 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 findings of fact and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Narbonne Ranch Water Co. No. 2, a corporation, be and it is hereby authorized and directed to file with the Railroad Commission,

within thirty (30) days from the date of this Order, the following schedule of rates to become effective on and after the first day of September, 1945:

Schedule No. 1

GENERAL METERED RATES

Applicability:

Applicable to all metered water service for domestic, industrial and other purposes.

Territory:

Within the unincorporated territory of Lomita, and in the vicinity thereof, Los Angeles County, California.

Rates:

Per Meter
Per Month

Quantity Charges:

First 800 cubic feet or less	\$1.25
Next 1,200 cubic feet, per 100 cubic feet125
Over 2,000 cubic feet, per 100 cubic feet05

Minimum Charges:

For 5/8 or 3/4 inch meter	\$1.25
For 1 inch meter	2.50
For 1 1/2 inch meter	3.50
For 2 inch meter	6.00
For 3 inch meter	9.00
For 4 inch meter	14.00
For 6 inch meter	20.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Charge.

Schedule No. 2

IRRIGATION SERVICE

Applicability:

Applicable to all water service for agricultural irrigation purposes.

Territory:

Within the unincorporated territory of Lomita, and in the vicinity thereof, Los Angeles County, California.

Schedule No. 2 - Continued

IRRIGATION SERVICE

Rates:

(a) - Metered Service:

Per Meter
Per Month

Quantity Charges:

First 800 cubic feet, or less	\$1.25
Next 1,200 cubic feet, per 100 cubic feet12 $\frac{1}{2}$
Over 2,000 cubic feet, per 100 cubic feet05

Minimum Charges:

For 5/8 x 3/4 inch meter	\$1.25
For 1 inch meter	2.35
For 1 $\frac{1}{2}$ inch meter	3.35
For 2 inch meter	5.65
For 3 inch meter	7.25
For 4 inch meter	8.05
For 6 inch meter	12.05

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Charge.

(b) - Standpipe Irrigation Water Service:

Minimum charge for irrigation	\$0.75
For irrigation water measured by meter, per 100 cubic feet05

Schedule No. 3

SEWER FLUSHING SERVICE

Applicability:

Applicable for sewer flushing purposes.

Territory:

Within the unincorporated territory of Lomita, and in the vicinity thereof, Los Angeles County, California.

Rates:

Per Flusher
Per Month

Quantity Charges:

First 500 cubic feet or less	\$0.75
Next 1,500 cubic feet, per 100 cubic feet12 $\frac{1}{2}$
Over 2,000 cubic feet, per 100 cubic feet05

Minimum Charges:

For each metered sewer flushing service connection..	\$0.75
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Schedule No. 3 - Continued

SEWER FLUSHING SERVICE

Special Conditions:

- 1. The company does not render any sewer flushing service at flat rates, except by special agreement or on a contract basis, each subject to filing with, and the approval of, the California Railroad Commission.

Schedule No. 4

FIRE PROTECTION SERVICE

Applicability:

Applicable to water service supplied for fire protection service.

Territory:

Within the unincorporated territory of Lomita, and in the vicinity thereof, Los Angeles County, California.

Rates:

Per Month

Hydrants on mains 6 inches in diameter, or larger	\$2.00
Hydrants on mains 4 inches and less than 6 inches in diameter	1.50
Hydrants on mains less than 4 inches in diameter	1.00

Schedule No. 5

OIL WELL DRILLING AND DEVELOPMENT
AND OTHER TEMPORARY SERVICE

Applicability:

Applicable to all temporary water service for purposes of oil well drilling and development and other service.

Territory:

Within the unincorporated territory of Lomita, and in the vicinity thereof, Los Angeles County, California.

Schedule No. 5 - Continued

OIL WELL DRILLING AND DEVELOPMENT
AND OTHER TEMPORARY SERVICE

Rates:

Per Meter
Per Month

Quantity Charges:

First 800 cubic feet or less	\$1.25
Next 1,200 cubic feet, per 100 cubic feet12 $\frac{1}{2}$
Over 2,000 cubic feet, per 100 cubic feet05

Minimum Charges:

For 5/8 x 3/4 inch meter	\$1.25
For 1 inch meter	2.35
For 1 $\frac{1}{2}$ inch meter	3.35
For 2 inch meter	5.65
For 3 inch meter	7.25
For 4 inch meter	8.05
For 6 inch meter	12.05

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the quantity Charge.

IT IS HEREBY FURTHER ORDERED that Narbonne Ranch Water Co. No. 2 be and it is hereby directed as follows:

1. Within sixty (60) days from the date of this Order, to file with 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 8 $\frac{1}{2}$ 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 immediate 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 this 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.

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 14th day of August, 1945.

Harold Rudman
Justin F. Casper
Richard Jackson
Francis W. Carr
Sam H. Lamm
Commissioners.