

Decision No. 38750

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application
of COAST WATER COMPANY, a corporation,
for Increase in Rates for Water
Service.

Application No. 26818

Paul Overton, for Applicant,

James R. Gilliland,
W. F. Lounsbury,) for the Consumers,
Louis H. Quade,)

BY THE COMMISSION:

O P I N I O N

Coast Water Company, a corporation, is engaged in the business of supplying water in and near the unincorporated town of Bell Gardens, Los Angeles County. In this proceeding the Commission is asked for an increase in rates. The applicant alleges that its present schedule of rates does not provide a reasonable and adequate return upon either the historical cost or the present fair value of its property devoted to public use and prays that just and reasonable rates be established.

The Company duly notified the Office of Price Administration of its application to the Railroad Commission for a rate increase and was advised by said office that it did not intend to participate in the proceeding.

A public hearing in this matter was held before Examiner W. R. MacKall in Los Angeles.

This utility was formerly owned by East Bell Land Company and serves water for domestic, commercial and industrial purposes in a district known as Bell Gardens comprising 320 acres more or less, located a mile east of the City of Bell.

The water system was purchased July 11, 1944, by Applicant, Coast Water Company, a corporation controlled by O. C. Beck and T. A. Beck.

The water is obtained from two deep wells and delivered into a 200,000-gallon ground level storage basin, from which it is boosted into a concrete standpipe having a capacity of 550,000 gallons. The deep well turbine pumps and booster pumps are operated and controlled by an ingenious variety of automobile, tractor and Diesel engines converted to use natural gas and by various types of electric generators and motors. The top of the standpipe is 75' above the well collars and through gravity provides the only pressure available throughout the distribution system.

There were 736 regular consumers as of October 31, 1945, twenty-five of which were on meters. In addition, there were 219 consumers served as multiple users on a flat rate charge of \$0.50 per month.

The meter rate schedule now in effect provides for a basic minimum charge of \$1.25 per month for a 5/8-inch x 3/4-inch meter. The quantity charge is 15 cents per 100 cubic feet for the first 1,000 cubic feet and 7 cents per 100 cubic feet for all water in excess thereof. The present flat rate schedule provides for a charge of \$1.25 per month for each residence, on one lot, \$1.00 per month for each additional lot without house and \$0.50 per month for each additional house on one lot occupied by a separate family.

R. M. Dennis, comptroller for the applicant, and James F. Wilson, one of the Commission's hydraulic engineers, presented testimony concerning fixed capital, depreciation, revenues and expenses. The fixed capital was based upon the appraisalment of this utility's property made by Mr. Don Baker, consulting engineer, and which was ordered set up on the Company's books by the Commission in Decision No. 37203, July 11, 1944.

The following tabulation shows fixed capital as of September 1, 1945:

Account	Bakar Report 1/1/44	1/1/44 to 9/1/45 Additions	Retirements	Book Value as of 9/1/45
C-1 Organization	\$ 151.00	\$ 413.81	\$ 151.00	\$ 413.81
C-5B Pumping Sta. Land	2,172.00	-	1,172.00	1,000.00
C-6B Pumping Sta. Bldg.	918.00	150.00	-	1,068.00
C-10 Wells	5,044.00	-	-	5,044.00
C-14 Pumping Equipment	11,221.00	1,552.32	-	12,773.32
C-18 Distribution Mains	17,554.00	7,072.00	-	24,626.00
C-19 Distribution Reservoirs	18,326.00	-	-	18,326.00
C-20 Fire Hydrants	132.00	-	-	132.00
C-21 Services	1,211.00	-	-	1,211.00
C-22 Meters	264.00	359.96	-	623.96
C-23 Misc. Distr. Equipment	-	104.61	-	104.61
C-24A Office Equipment	320.00	-	-	320.00
Total	\$57,313.00	\$9,652.70	\$1,323.00	\$65,642.70

The reserve for accrued depreciation authorized by Decision No. 37203 was \$15,298.00 as of January 1, 1944, and was based on the straight line method of calculation. The Company has continued the straight line method and credited accrued depreciation with \$3,346.57 for the year 1944.

From the evidence presented the following tabulation shows the results of operation for the period of twelve months ending August 31, 1945:

Item	Straight Line Method	Sinking Fund Method
<u>Operating Revenues</u>		
Revenue from sale of water	\$12,791.40	\$12,791.40
<u>Operating Expenses</u>		
Pumping	\$ 5,863.66	\$ 5,863.66
Distribution	-	-
Commercial	-	-
General and Miscellaneous	3,206.42	3,206.42
Taxes	334.40	334.40
Depreciation	3,346.57	2,071.06
Total	\$12,751.05	\$11,475.54
Net Operating Revenue	\$ 404.35	\$ 1,315.86
<u>Rate Base</u>		
Fixed Capital	\$65,642.70	\$65,642.70
Material and Supplies	500.00	500.00
Working Cash	-	-
Undepreciated Rate Base	\$66,142.70	\$66,142.70
Depreciation Reserve	18,644.57	-
Depreciated Rate Base	\$47,498.13	-
<u>Rate of Return</u>	0.01%	1.99%

It is apparent that the net return of 1.99% under the sinking fund method of computing depreciation is insufficient and that the present schedule of rates should be adjusted.

At the hearing, Mr. Dennis presented a proposed schedule of rates for both flat rate and metered service. The flat rate is charge of \$1.50 per month for a 3/4-inch service connection per lot not in excess of 7,500 square feet in area and having a single family occupancy. There is a charge of \$0.02 per month for each additional 100 square feet. The proposed meter schedule provides for a monthly minimum charge of \$1.50 for 5/8-inch x 3/4-inch and 3/4-inch meters. The quantity charge proposed was \$0.15 per 100 cubic feet for the first 2,000 cubic feet, \$0.12 per 100 cubic feet for the next 8,000 cubic feet, and graduated downward to the final block of \$0.072 per 100 cubic feet for all use in excess of 300,000 cubic feet.

From the evidence submitted the schedule of flat rates presented by the Company would yield a gross revenue of \$11,891, based upon present operating conditions and sinking fund method of depreciation. This results in a net rate of return of 5.16% on the investment.

There are relatively few consumers receiving metered service under this system. Proper computation of the meter bills in the past would have increased the revenues from this source from \$820 to \$1,058, or closely 29% for the period of twelve months ending August 31, 1944. Under the circumstances there appears no necessity to increase the present meter rates. The adjusted flat rate schedule should provide ample revenue to yield a fair net return.

General complaint of low and inadequate pressures was made by consumers living in the distant reaches of the system and from consumers having two-story homes. Poor pressure conditions in those sections of the service area located at any considerable distance from the pumping plant are inevitable under present operating conditions. Pressure throughout the system depends upon the water column in the standpipe which has insufficient head to insure proper service at any great distance from the plant during periods of heavy draft. The most obvious method

of improvement is the installation of larger capacity base feeder mains together with the possible installation of secondary booster plants at strategic locations. The pressure difficulties, however, can never be successfully overcome on this system unless the present impractical ground level standpipe is eliminated and water is pumped directly into the mains against elevated storage floating on the line. In this connection it should be stated that Mr. Beck has agreed to install additional and larger feeder mains to be in operation before the heavy summer demand again brings on the unsatisfactory service conditions.

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 being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the flat rates on Schedule No. 1, original C. R. C. Sheet No. 1-W, now charged by Coast Water Company for water supplied its customers within the unincorporated community of Bell Gardens, 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 Coast 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 this Order, the following schedule of rates to become effective on and after the first day of April, 1946:

Schedule No. 1
MONTHLY FLAT RATES

Applicability:

Applicable to all water service furnished on a flat rate basis.

Territory:

Within the entire area of service.

Rates:

Per Month

For 3/4-inch service per single family residence, including the irrigation or sprinkling of 2,000 square feet of area.....	\$1.50
For each additional 100 square feet of irrigated or sprinkled area.....	.02
For each additional family residence on lot.....	.50
For each lot without a residence, for irrigation or sprinkling of not more than 5,000 square feet.....	1.00
For each additional 100 square feet of irrigated or sprinkled area.....	.02

Schedule No. 2
GENERAL METERED SERVICE

Applicability:

Applicable to all water service furnished on a metered basis.

Territory:

Within the entire area of service.

Rates:

<u>Quantity Charge:</u>	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cubic feet, per 100 cubic feet.....	\$.15
All over 1,000 cubic feet, per 100 cubic feet.....	.07
 <u>Minimum Charge:</u>	
For 5/8 x 3/4-inch meter.....	\$1.25
For 3/4-inch meter.....	1.50
For 1-inch meter.....	2.00
For 1 1/2-inch meter.....	3.00
For 2-inch meter.....	5.00
For 3-inch meter.....	8.00

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

A meter may be installed on any service at the option of either the consumer or the utility.

IT IS HEREBY FURTHER ORDERED that Coast Water Company 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 8x11 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 12th day of March,

1946.

Harold Anderson

Ernest Powell

Harold Hule

COMMISSIONERS