

Decision No. 39229

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Case No. 4821

Investigation on the Commission's own motion into the service, rates, contracts, rules, regulations, operations, practices, or any of them, of R. W. Sparling, Inc., a corporation, operating a public utility water system in Fernwood Park in Topanga Canyon, Los Angeles County, California.

Irvin D. Smith, Edison E. Lee and Douglas De Burgh,
for Topanga Citizens Committee for School and
Community Improvement.
Benjamin Chapman, for Office of Price Administration.
R. W. Sparling, for R. W. Sparling, Inc.

O P I N I O N

This proceeding was instituted by the Commission, on its own motion, into all phases of the operations of a public utility water system in Topanga Canyon by R. W. Sparling, Inc., as a result of complaints, made by the Topanga Citizens Committee for School and Community Improvement, a voluntary association composed of 350 citizens of Topanga Canyon. This organization represents the consumers of the public utility water system owned and operated by said R. W. Sparling, Inc., in a subdivided area known as Fernwood Park, in Topanga Canyon, Los Angeles County. The Committee alleges that for several years last past the water supply has been insufficient to meet the demands of the customers; that service has been irregular and unsatisfactory; that no adjustment has been made in the water bills for the periods when no water was available, and that no measures have been taken to correct any of these intolerable conditions.

A public hearing in this proceeding was held in Los Angeles before Examiner Stava.

Fernwood Park is an unincorporated area composed of Tracts Nos. 5664, 8319 and 8859, located on the north side of Topanga Canyon about four miles inland from the Pacific Ocean in Los Angeles County. The three tracts have a combined area of approximately 225 acres and are subdivided into 400 irregularly-shaped lots of various sizes. Domestic water service is supplied by R. W. Sparling, Inc., to 230 customers. All of these services are metered except six which are served on a flat rate basis.

Water is obtained from a spring by gravity, and from two drilled wells and a dug shaft by pumping. The storage system consists of six tanks having a combined capacity of 142,000 gallons. Water is distributed to the customers through 55,300 feet of pipe lines ranging from one to four inches in diameter. The service area is steep, varying about 600 feet in elevation and has been divided into five operating zones. Each zone has a storage tank and distribution system. The water is elevated from the sources of supply by booster pumps to the zones not served directly from the wells and spring. The spring is located in the lowest zone, Zone 1.

The testimony shows that this general section of Topanga Canyon is largely of a granite formation. There is no productive water-bearing strata in the entire area. Only a limited quantity of water is available from fissures or pockets in the rock. By reason of the isolated location of the community, a water supply cannot be brought in from outside sources except at prohibitive cost, far beyond the resources of the present property owners and residents of the district.

Mr. James F. Wilson, one of the Commission's Hydraulic Engineers, testified that throughout this section of Topanga Canyon water has never been located in large quantities but is limited to the seepage through fissures in the rock collecting in small underground pockets or basins. He measured the production of the three wells and spring on February 25, 1946, and found a total of 22.7 gallons per minute being delivered into the system from all sources. During the summer and fall the yield from these sources diminishes rapidly. Mr. Wilson

testified that in order to provide adequate service, it will be necessary either to produce more water from new wells or limit monthly maximum consumer-use to 1,000 cubic feet, or perhaps less, and further restrict the use to household purposes only, prohibiting the use of water for lawn and garden irrigation. He also suggested that no new applicants for service be accepted until an additional and adequate water supply is provided. These recommendations were based upon the calculated water use analysis which indicates that only 5% of the customers used in excess of 1,000 cubic feet per month and that a restriction fixed at this amount would save 77,000 cubic feet per season without serious inconvenience to most of the residents.

Originally this territory was settled by parties who erected cabins for vacation and occasional weekend occupation. During the past few years a complete occupational transition has taken place to permanent year-around residency. This situation has resulted in the planting of lawns, flowers, and shrubs and a general enhancement of home landscaping. The use of water has spread from household purposes to a regular small city demand. The developed supply is wholly insufficient to meet this class of service.

Mr. Wilson presented a report showing the results of operation of the water system for the five-year period 1941 to 1945, inclusive, as shown by the company's books and records, summarized as follows:

	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>
Fixed Capital	\$64,419	\$64,419	\$64,419	\$64,573	\$65,202
Operating Revenues	6,514	6,563	6,974	7,617	8,225
Operating Expenses	7,510	7,041	7,513	8,723	8,744
Net Operating Revenue	(996)	(478)	(539)	(1,106)	(519)
Number of customers	197	171	207	210	230

(Red Figures)

Mr. Wilson's estimated original cost of the properties at \$53,022 as of December 31, 1945, based upon the cost of the properties, estimated by the Commission engineers in 1936 to be 246,960,* with subsequent additions and betterments. The depreciation annuity calculated by the sinking fund method at 5%
 Note:*Application No. 20324, Decision No. 29239, dated November 2, 1936.

amounted to \$825. The net revenue for 1945 amounted to \$1,730, a return of 3.2% on a rate base estimated to be \$53,022, for the purposes of this proceeding.

Mr. Sparling admitted that the poor service conditions in all but the lower zones, were caused primarily by shortage of water supply but stated it was also due to some extent to several serious breakdowns of pumping equipment and his inability to get proper new machinery or repair parts because of emergency restrictions imposed by war.

Mr. Sparling stated that his present water resources in the canyon have reached their limit of production but that additional water for the territory could be obtained in two possible ways; (1) by his company or (2) by organization of a waterworks district to obtain a foreign water supply, the nearest source being from the City of Los Angeles. The witness stated that he believed the most expedient and economically feasible measure for the temporary relief would be the further development of local waters from new wells and possibly by tunnels, that he believed a substantial amount of water could be so obtained and that he is ready and willing to attempt such development. However, Mr. Sparling stated that actually he is making no profit on his water operations, he draws no salary and that practically all administration and office expenses are carried on at no expense to the water company through his own office staff in his manufacturing business. These and many other expenses and improvements are not reflected in his utility records and accounts. The witness agreed to go ahead with the local water development program if granted a reasonably increased rate, which he suggested as follows:

A monthly minimum charge of \$3.00 for 300 cubic feet.

All use over 3,000 cubic feet, 75 cents per 100 cubic feet.

The Citizens' Committee and the consumers in general favored acceptance of Mr. Sparling's proposal, especially in view of the fact that it eliminates the otherwise necessity of drastically limiting consumers' water use, with its attendant policing and enforcement problems which were generally conceded to be acceptable only as a last resort.

In view of this fortunate spirit of cooperation among all interested parties the compromise plan will be accepted by the Commission and the schedule of rates agreed upon will be established in the following order. The Commission confidently trusts that the same generosity which has simplified the settlement of this controversy will continue during the trying period which must be faced by all before additional water can be developed by Mr. Sparling.

ORDER

The Commission, on its own motion, having instituted investigation in the various phases of the operation and practices of R. W. Sparling, Inc., a corporation, a public hearing having been held hereon, the matter having been submitted, and the Commission being now fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by R. W. Sparling, Inc., a corporation, for water supplied to its customers in the unincorporated area known as Fernwood Park and consisting of Tracts Nos. 5664, 8319, and 8859, Los Angeles County, in Topanga Canyon, 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 R. W. Sparling, Inc., a corporation, be and it is hereby authorized and directed to file in quadruplicate, in conformity with this Commission's General Order No. 96, within thirty (30) days from the date of this Order, the following schedule of rates to be charged for all water service rendered its customers in Tracts Nos. 5664, 8319, and 8859, Los Angeles County, in Topanga Canyon, on and after the date of this Order:

Schedule No.1

CENTRAL METER SERVICE - MONTHLY BASIS

APPLICABILITY:

This schedule is open to customers applying for continuous service only.

TERRITORY:

In Tracts Nos. 5664, 8319 and 8859, known as Fernwood Park, Topanga Canyon, Los Angeles County.

RATES:

<u>Minimum Monthly Charge:</u>	<u>Per Meter Per Month</u>
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.....	10.00
2 inch meter.....	15.00

Each of the foregoing "Minimum Monthly Charges" will entitle the customer to the quantity of water which that minimum monthly charge will purchase at the following Monthly Quantity Rate:

Monthly Quantity Charge:

First 300 cubic feet, or less.....	\$3.00
All over 300 cubic feet, per 100 cubic feet.....	.75

IT IS HEREBY FURTHER ORDERED that R. W. Sparling, Inc., a corporation, be and it is hereby directed to file with this Commission, within thirty (30) days from and after the date of this Order, a specific program setting forth the plans proposed to be inaugurated for the development of additional water supplies and plans for improvement in the general distribution of water throughout the various operating zones on the system in Topanga Canyon. A statement also shall be included showing the estimated date of completion of the program of improvements.

IT IS HEREBY FURTHER ORDERED that R. W. Sparling, Inc., shall file with this Commission on the first day of each month, commencing with the first day of September, 1946, a detailed report in writing setting forth as of the date thereof the progress made in compliance with the terms of this Order, said reports to

continue until water development and distribution projects are completed, subject to approval of this Commission.

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 30 day of July,

1946.

Howard Hudson
Justus D. Coe
Frank W. Coe
Robert L. Coe
Harold H. Coe
 COMMISSIONERS.