

Decision No. 42307**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of the Ajax Water Co. for authoriza-
tion from the Public Utilities
Commission to increase their rates
(water rates)

Application No. 29534

Ronald S. Dunas, for applicant;
C. C. Matheny and K. W. Narney,
for the consumers.

O P I N I O N

Ronald S. Dunas, doing business as Ajax Water Company, asks the Commission for an increase in rates, claiming that this is necessary because of an increase in power bills, and meager net profit.

Public hearings in this matter were held before Examiner Warner in Los Angeles, California, on October 25, 1948 and November 10, 1948.

The company is owned and operated by Mr. Ronald S. Dunas, who acquired the system in June of 1945 at a sales price of \$3,700. Water utility service for domestic and commercial purposes is rendered to about 145 customers in an unincorporated area of the County of Los Angeles between the cities of Compton and Lynwood, California. This service is rendered at a flat rate of \$1.50 per month per customer. Water is obtained from a well 140 feet deep, by means of a deep-well turbine pump driven by a ten-horsepower electric motor, and is pumped directly from the well to a 5,000-gallon pressure tank from which water is distributed through approximately 5,500 feet of mains varying in size from five-inch O.D. to 3/4-inch steel pipe.

From testimony presented at the hearing, it is evident that the condition of the property is poor, that mains are in need of repair, that ordinary maintenance has been neglected, and that water pressures, in at least one area, are as low as 12 to 17 pounds per square inch. Such tending to customers' and system's needs as is done is performed by a part-time neighborhood maintenance man, who is frequently unavailable until evening hours because of other daytime work commitments.

A report introduced by Mr. J. D. Reader of the Commission's staff indicated improper book entries, both as to capital and expense accounts. The record indicates that there is no shortage of water, but in order to assure cleaner water at proper operating pressures, many mains should be replaced. The applicant testified that if he were in a better earning position, he would take immediate steps to improve the condition of the property but no specific plans were outlined. However, the record indicates that if pump bowls were overhauled, another stage added to increase operating pressures to a minimum of 35 to 40 pounds per square inch, the pipe line on Fifth Avenue crossing Broadway were replaced, and other lines replaced where necessary to withstand higher pressures, service would be more satisfactory.

The following is a summary of the 1947 revenues and expenses as recorded on the company's books and as adjusted by Mr. Reader to reflect more properly normal operations together with an estimate for the year 1948:

	Year 1947		Year 1948
	Recorded	Adjusted	At Present Rates Estimated
Operating Revenues	\$2,060	\$2,400	\$2,832
Operating Expenses, excluding Taxes and Depreciation	1,350	1,940	2,350
Taxes	147	100	136
Depreciation	370*	113***	115***
Total Operating Exp.	1,867	2,153	2,501

* Straight line method at 10% of 1945 purchase price.

*** 5% Sinking fund.

In the absence of accurate and complete records of capital accounts, Mr. Reader made an appraisal of the company's properties. He estimates the historical cost of the properties at \$7,922 and a rate base at \$7,960 as of December 31, 1948.

Applicant requests that present flat rates be increased from \$1.50 a month to \$2.25 a month, that a new schedule for meter rates be set up, and that the minimum charges on the monthly meter rate be increased from \$1 to \$1.33 for each additional user. At these proposed rates, the 1948 estimated gross annual revenue would be \$4,248, or an increase of \$1,416. Under the circumstances, this increase is excessive. However, a new schedule of rates is established in the order herein which will produce an estimated increase in gross revenue of \$944. Applicant will be expected to make necessary system improvements and provide adequate service to his consumers.

O R D E R

Application as entitled above having been filed with the Public Utilities 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 increased rates established herein to be charged by applicant for water supplied his customers within the unincorporated area between Lynwood and Compton, California, in the County of Los Angeles, are justified and should be authorized; therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant be and he is hereby authorized to file in quadruplicate with this Commission, in conformity with the Commission's General Order No. 96, within twenty (20) days from the effective date of this order the schedule of rates shown in Exhibit A appended hereto, such rates to be charged for all water service rendered on and after January 1, 1949.

2. That applicant, doing business as Ajax Water Company, within thirty (30) days from and after the effective date of this order shall file with this Commission specific plans providing for the installation of adequate-sized distribution mains, and increase the working pressure in the distribution mains in said subdivision to not less than 25 pounds per square inch at each consumer's service pipe connection, together with an estimate of expected completion date of said improvements.

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 December, 1948.

R. J. [Signature]
Justice F. Cooney
James H. Kayell
Harold H. [Signature]
W. [Signature]
Commissioners.

EXHIBIT A

Schedule No. 1

FLAT RATES

APPLICABILITY

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

TERRITORY

Unincorporated area located adjacent to the eastern city limits of Lynwood,
Los Angeles County.

RATES

	<u>Per Month</u>
For each house on a lot not to exceed 50 feet in width.....	\$2.00
For each additional house on one lot, served through a single connection.....	1.75
For each additional lot irrigated per 100 square feet.....	.04
Motels and apartments, one unit or apartment and office.....	1.50
For each additional motel unit or apartment.....	.75

EXHIBIT A

Schedule No. 2

METER RATES

APPLICABILITY

Applicable to all water service rendered on a metered basis.

TERRITORY

Unincorporated area located adjacent to the eastern city limits of Lynwood, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:	
First 1,000 cubic feet or less.....	\$1.75
Next 3,000 cubic feet, per 100 cubic feet.....	.15
Next 6,000 cubic feet, per 100 cubic feet.....	.12
Over 10,000 cubic feet, per 100 cubic feet.....	.10
Monthly Minimum Charges:	
For 5/8 x 3/4-inch meter.....	\$ 1.75
For 3/4-inch meter.....	2.25
For 1-inch meter.....	3.00
For 1 1/2-inch meter.....	5.00
For 2-inch meter.....	8.00
For 4-inch meter.....	10.00

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