

Decision No. 44613

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
AIRWAYS WATER COMPANY, INC., a
California corporation, for authority
to increase rates.

Application No. 30942

ORIGINAL

Frederick L. Botsford, for applicant;
Robert E. Austin, for Maxine Osing and
other protestants; Phil A. Erickson,
Department of Public Utilities and Trans-
portation, City of Los Angeles, interested
party; Richard K. Hoffman, protestant, in
propria persona.

O P I N I O N

This is an application of Airways Water Company, Inc. for authority to increase water rates in its territory located within the unincorporated area in the County of Los Angeles, adjacent to the southern boundary line of the City of Los Angeles on Imperial Highway and east of Inglewood-Redondo Boulevard, which it claims is necessary to permit adequate maintenance and proper operation of the system and to provide a reasonable return on the value of the properties.

A public hearing was held on this matter in Los Angeles on May 10, 1950, before Examiner Crenshaw.

Airways Water Company, Inc. is a corporation, organized February 21, 1940, under the laws of the State of California, and is engaged, among other things, in the production and sale of water as a public utility. The service area of the company is located in the southwestern part of Los Angeles County and consists of approximately 400 acres. It is bounded on the north by 116th Street, on the east by Felton Avenue, on the south by El Segundo Boulevard, and on the west by Aviation Boulevard. The town of Hawthorne provides water

service to the area on the east, the City of Los Angeles on the north, the City of El Segundo on the west, and Liberty Acres County Water District No. 22 on the south. The Leuzinger Ranch, consisting of 40 acres, bordering El Segundo Boulevard and Aviation Boulevard, offers an area of future expansion for the water company.

The original water system was built to provide water service when the owners decided to subdivide the 320-acre Bohan Ranch in 1936. At that time, the Wiseburn Park Mutual Water Company was organized and that company operated the system until 1941, when it was sold to Airways Water Company, Inc.

Airways Water Company, Inc. filed its Application No. 23841 for a certificate of public convenience and necessity to operate a water system serving the entire ranch area, except that portion within the corporate boundaries of the City of Los Angeles. The City of Los Angeles desired that its municipal water system provide water service to that portion of the ranch property located north of 116th Street, which was within the city limits. However, the municipal system has so far failed to extend its water mains into Tract No. 2663, originally served by the mutual water company, and water service is still furnished to these customers by applicant.

The Commission granted the certificate of public convenience and necessity to applicant by Decision No. 34356, dated July 1, 1941.

The present water supply is furnished from six cased wells drilled at strategic locations about the service area. The water is potable and has never failed to pass the periodic analysis of the Los Angeles County Health Department. A chlorinator is used to protect the water distributed to the consumers from contamination.

Well No. 1 is 14 inches in diameter and is located at Pumping Plant A on 118th Street near the corner of Judah Avenue. Pumping Plant B is located at the corner of 119th Street and

Anza Avenue, where Wells Nos. 3 and 4 are located. Well No. 3 is 14 inches in diameter and Well No. 4 is 12 inches in diameter. Wells Nos. 5 and 6, both 12 inches in diameter, are located at Pumping Plant C at the corner of 121st Street and Anza Avenue. Well No. 7 is 12 inches in diameter and is located at Pumping Plant D, which is on 118th Street between Pumping Plant A and Judah Avenue.

The distribution system as of December 31, 1949, consisted of 51,270 feet of steel mains, ranging in diameter from 2½ inches to 6 inches. All pipe lines installed by applicant have a protective coating, and the company has recently installed protection against electrolysis.

The water mains were laid prior to the dedication of the streets and alleys of the various tracts, and proper easements for the location of the pipe lines over private property were reserved. It is thus unnecessary that franchises be obtained from the County of Los Angeles for the present service area.

During 1949, applicant delivered a total of 35,215,000 cubic feet of water, and at the end of the year was serving 1,216 customers; 1,215 were flat rate customers and one a metered customer.

Five pressure tanks with a total capacity of 23,000 gallons maintain a minimum pressure of 40 pounds per square inch in the water mains. During the year 1949, a 10,000-gallon redwood storage tank and two centrifugal booster pumps were installed at Pumping Plant D. Aeration equipment is installed at this tank to remove the odor and improve the taste of the water.

A 15,000-gallon redwood tank and booster pump installation has been constructed at Pumping Plant C this year, and Well No. 6 has been equipped with a 30 hp turbine pump assembly. It is proposed to install a similar redwood tank and booster pump installation at Pumping Plant B within the next two months.

During the latter part of 1949, applicant began the construction of 20,342 feet of steel water mains in Tract No. 15950, Los Angeles County, which is practically completed and will serve approximately 400 customers. Since January 1, 1950, applicant has begun the construction of 11,603 feet of water mains in Tract No. 14749 to serve in excess of 200 customers. A new pumping plant site has recently been purchased in the southwest corner of Tract No. 14749 so that additional water service and standby capacity can be provided as needed.

The meter rates in effect provide for a monthly minimum charge of \$1.50 and permit a use of 1,000 cubic feet of water. The charges for excess use are reduced through three subsequent blocks to 8 cents per 100 cubic feet for all water delivered over 4,000 cubic feet. The minimum charge increases with the size of the meter. The present flat rates provide for a monthly minimum of \$1.80 for a residence on one lot and \$1.20 for each additional residence on the same lot. In addition, flat rate charges are provided for commercial establishments, ranging from \$2 to \$3 a month.

Applicant proposes metered rates with a minimum of \$1.50 per month for 900 cubic feet or less, which is reduced through three consecutive blocks to 11 cents per 100 cubic feet for all consumption over 5,000 cubic feet. The minimum charge varies with the size of the meter. The proposed flat rate is \$2.35 for a single residence on one lot and \$1.20 for each additional residence on the same lot. The rates for commercial buildings were increased \$1 and range from \$3 to \$4 per month.

Considerable opposition to the increase in rates was manifested at the hearing by customers of applicant who questioned the reasonableness of the rate increase applied for and who also complained of the character of service being rendered. Petitions signed by some

882 residents were submitted protesting any increase in rates, which recited that the protest was based on the ground that said increase was unnecessary and unfair, and on the further ground that the rate now being paid was extremely high for the service rendered.

Mr. Robert E. Austin, attorney for protestants, submitted a brief setting forth estimates of operating revenues, operating expenses, and earnings for the years 1950 and 1951.

In its Exhibits Nos. 4 and 5, introduced at the hearing and testified to by Mr. Lewis L. Robinson, applicant set forth the revenues and expenses for the years 1945 through 1949, as recorded on its books, and estimates for the year 1950 under the proposed rates. Applicant's Exhibit No. 4 showed a loss after deducting operating expenses for the years 1945 through 1947. In 1948, the revenue exceeded the operating expenses by \$849.83, and in 1949 there was a net profit of \$663.45. The estimated earnings for 1950 under the new flat rates proposed by applicant, as set forth in Exhibit No. 5, showed a profit of \$5,010.

Senior Engineer James F. Wilson of the Commission staff introduced a report on the operations of applicant for the years 1947 through 1949 as recorded, and for the year 1950 estimated, as shown in Exhibit No. 7.

The following tabulation shows a comparison of the estimates of applicant, those made by Commission's witness, and the estimates submitted by protestants, for the year 1950:

<u>Item</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Operating Revenues</u>		
Applicant's	\$ -	\$41,260.00
Protestants'	34,469.00	44,789.50
Commission	34,430.00	41,624.00
<u>Operating Expenses</u>		
Applicant's	-	36,250.00
Protestants'	29,960.47	29,960.47
Commission	35,765.94	36,752.00
<u>Net Income</u>		
Applicant's	-	5,010.00
Protestants'	4,508.53	14,829.03
Commission	(1,335.94)	4,872.00

(Red Figure)

It will be noted from the above tabulation that the estimate of operating revenues for the year 1950 by the Commission's engineer and by applicant differ by \$364, while protestants' estimate exceeds that of the Commission's engineer by \$3,165. In view of the fact that the Department of Water and Power of the City of Los Angeles intends to acquire in the immediate future a portion of applicant's water system serving 52 consumers in an area lying within the corporate limits of the said city, the capital investment therein, together with the revenues and expenses allocated to this district, has been excluded by both applicant and the Commission staff in estimates for future operations. However, protestants included future revenues of \$1,306 for this district. Since negotiations for the transfer of applicant's properties have practically been completed, it appears proper to exclude operations affecting this district for rate fixing purposes.

The difference in operating expenses estimated by applicant and the Commission's engineer is approximately \$500. The estimate submitted by protestants for the year 1950 is materially less than the others, having been based on the average annual expenses over the past three years, and not giving consideration to existing increases in facilities and present increased costs of labor and materials. In his brief, Mr. Austin

stated that the average operating expenses as shown in Mr. Wilson's reports for the years 1947 through 1949 were \$26,781.89, and that the estimated expenses for the year 1950 were \$35,765.94. He contended that the estimate for 1950 was entirely too high and suggested that the operating expenses should not be more than \$29,960.47, based upon a comparison with the past three-year average and his estimate of the probable requirements for 1950.

The following is a summary of earnings and rate base as recorded for the year 1949 and estimated for the year 1950, under present rates and under the proposed rates:

SUMMARY OF EARNINGS AND RATE BASE

:	:	:	Year 1950	:	Year 1950	:
:	:	:	Estimated	:	Estimated	:
:	:	:	Present	:	Proposed	:
:	:	:	Rates	:	Rates	:
:	Item	:	Recorded	:		:
<hr/>						
OPERATING REVENUE						
	Water Sales	\$28,305	\$34,430	\$	-	
	Uncollectible Accounts	44	50		-	
	Revenue	28,261	34,380		41,624	
OPERATING EXPENSE						
		27,641	36,471		36,752	
NET INCOME						
		620	(2,091)		4,872	
DEPRECIATED RATE BASE						
		62,557	71,052		71,872	
RATE OF RETURN						
		0.99%	-		6.78%	

(Red Figure)

It will be noted from the above tabulation that for the year 1949, applicant received a rate of return of 0.99%. The estimated return for the year 1950, using the proposed rates, is computed to be 6.78%. There should, however, be an additional charge to operating expenses for new help which will be required to take care of the increased number of consumers. This will tend to reduce, somewhat, the estimated return.

After giving full consideration to all of the above factors, it appears that applicant is entitled to relief through increased revenues; however, the proposed base flat rate is somewhat higher than warranted under existing circumstances and should be modified. The rates established in the following order will yield an estimated revenue for the year 1950 of \$40,200, leaving a net revenue of \$3,600, or a return of 5% on the depreciated rate base of \$71,872, which appears to be just and reasonable. However, applicant should promptly make the necessary changes and improvements in its water system to provide for aeration equipment, together with other necessary changes for improvement of the water service.

O R D E R

Airways Water Company, Inc. having applied to this Commission for an order authorizing increases in its rates for water service, public hearings having been held and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates authorized herein are justified; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96; the schedule of rates shown in Exhibit A attached hereto, and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective by billing periods for service rendered on and after July 31, 1950.
2. Applicant shall file a progress report on or before October 1, 1950, setting forth the equipment that has been installed, and that which it intends to install, for improvement of the water service on its system, continuing the filing of such progress reports monthly

thereafter until the completion of the installation of said improvements.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at Los Angeles, California, this 1st day of August, 1950.

Justus J. Cravner
Harry L. Powell
Harold P. Kild
Kenneth L. Potter
Commissioners.

Schedule No. 1

MONTHLY FLAT RATE

APPLICABILITY

For all water furnished on a flat rate basis.

TERRITORY

In an unincorporated area adjacent to the westerly boundary of the City of Hawthorne, in Los Angeles County, and the southerly boundary of the City of Los Angeles.

RATES

	<u>Per Month</u>
One single residence on one lot.....	\$2.25
For each additional residence on same lot.....	1.20
Restaurants.....	4.00
Service stations.....	4.00
Stores, markets and other businesses, each....	3.00

SPECIAL CONDITIONS

1. All service not covered by the above classifications will only be furnished on a metered basis.
2. Meters may be installed at option of utility or consumer for above classifications in which event service will thereafter be rendered only on the basis of Schedule No. 2, Metered Service.

Schedule No. 2

GENERAL METERED RATESAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In an unincorporated area adjacent to the westerly boundary of the City of Hawthorne, in Los Angeles County, and the southerly boundary of the City of Los Angeles.

RATES

	<u>Per Month</u>
First 900 cubic feet, per month increases.....	\$1.50
Next 1,600 cubic feet, per 100 cubic feet.....	.14
Next 2,500 cubic feet, per 100 cubic feet.....	.12
Over 5,000 cubic feet, per 100 cubic feet.....	.11

Minimum Monthly Charges:

	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meters.....	\$1.50
For 3/4-inch meters.....	1.75
For 1-inch meters.....	2.00
For 1 1/2-inch meters.....	3.50
For 2-inch meters.....	5.00
For 3-inch meters.....	7.50
For 4-inch meters.....	10.00

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