

**ORIGINAL**Decision No. 51794

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of MALIBU WATER COMPANY, a cor- poration, for authority to increase its rates.	}	}	}	Application No. 35657
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See Appendix A for list of appearances.

O P I N I O N

Malibu Water Company, a corporation, by the above-entitled application filed July 28, 1954, seeks authority to increase rates for domestic and irrigation water service in unincorporated territory, Los Angeles County, in the vicinity and west of Malibu. The proposed increase in rates represents a straight 70 percent across-the-board increase, and would provide additional gross annual revenues of approximately \$57,700, based on 1954 operations.

Public hearings in this matter were held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner on May 25, 26 and 27, 1955, at Malibu. Approximately 60 consumers attended in protest, of whom 22 testified. The matter was submitted upon the filing of briefs and is now ready for decision.

Evidence of Record

The record in these proceedings consists of 478 pages of testimony in three volumes of transcripts, 14 exhibits, and, by reference, applicant's annual reports to the Commission for the years 1950 through 1954, and a "Malibu Water Company Appraisal, 1949 by Taylor & Taylor, Engineering, Los Angeles," in evidence in the proceeding on Application No. 30713 of July 12, 1950.

General Information

Applicant was granted a certificate of public convenience and necessity to operate as a public utility water company, rates were established, and applicant was authorized to receive certain water system properties from Marblehead Land Company,<sup>1/</sup> the consideration being stock issued to Marblehead by Decision No. 31269, dated September 19, 1938, in Application No. 22193.

Marblehead owns all of the outstanding shares of applicant's capital stock, amounting to \$100,000. All of applicant's officers are also officers of Marblehead.

Description of Service Area

Applicant's certificated service area was delineated on the map submitted as Exhibit No. 4 in Application No. 22193.<sup>2/</sup> It extends for approximately 20 miles along the Pacific Coast, starting just west of Las Flores Canyon and extending to a point west of Trancas Canyon, almost at the Ventura County Line. The service area, comprising some 4,960 acres, varies in width from 1/2 mile to 1-1/2 miles and is of mountainous terrain. As of December 31, 1954, there were approximately 62 miles of pipe line to serve some 1,105<sup>3/</sup> domestic consumers and about 30 irrigation consumers. All services were metered. Approximately 162 fire hydrants were connected to the system.

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<sup>1/</sup> Hereinafter referred to as Marblehead.

<sup>2/</sup> The original certificated service area was reduced by 8 acres by Decision No. 44588, dated August 1, 1950, in Application No. 31521.

<sup>3/</sup> Estimated by the staff to increase by 156 domestic consumers by the end of 1955, and by the applicant to increase by 208 by the year's end.

Sources of Water Supply and Water System Facilities

Applicant's sources of water supply are located in three general areas, viz., Malibu Canyon (Lower and Upper), Malibu Park, and Trancas Canyon (Lower and Upper).

There are two operative wells in Lower Malibu Canyon, and two standby wells.<sup>4/</sup> Tested production capacity of the operative wells is 725 gallons per minute. Their depth varies from 93.5 feet to 150 feet, with the static water level varying from 14 to 18 feet. In Upper Malibu Canyon there are three operative wells<sup>5/</sup> with a total production capacity of 300 gallons per minute. The depth of these wells varies from 245 feet to 756 feet, with the static water level varying from 82 to 237 feet. Water from sources in Malibu Canyon is distributed through a treatment plant with a capacity of 550 gallons per minute located in Upper Malibu Canyon.

The source of water supply for applicant's second general area is in Malibu Park, and there are three operating wells in this area. The two in use have a total production capacity of 357 gallons per minute. The third, maintained as a standby, has a production capacity of 235 gallons per minute. The depths of these wells range from 106 feet to 245 feet, with a static water level of between 29 feet and 69.5 feet.

The third general source of water supply is in Trancas Canyon, toward the westerly portion of the system. Here, only one well is classified by applicant as operative. This well, known as Lower Trancas No. 4, has a production capacity of 350 gallons

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<sup>4/</sup> In testimony and evidence adduced at the hearings, the staff engineers considered these two standby wells as nonoperating property.

<sup>5/</sup> In testimony and evidence adduced at the hearings, the staff engineers considered one of these three wells (Upper Malibu No. 3) as nonoperating property.

per minute, its depth is 90 feet, and the static water level is 26 feet. Applicant alleges that Lower Trancas No. 3<sup>6/</sup> and Upper Trancas No. 1 wells are held for standby purposes. Their tested production capacities are 275 gallons per minute and 20 gallons per minute, respectively. A Hypochlorinator is used jointly by Lower Trancas Nos. 3 and 4.

Each well is equipped with a pump driven by an electric motor. A series of 11 booster pumps discharges and lifts water to some 16 storage reservoirs or tanks. The sizes of these storage facilities vary from 20,000-gallon steel tanks to 300,000-gallon reinforced concrete reservoirs, located at various elevations and locations throughout the extensive service area. Applicant maintains and operates one filter plant, one chlorination plant, and one aerator in its system.

A source of water supply has also been developed behind Rindge Dam, which was constructed in 1926 in Malibu Canyon. Although the record shows that water collected and stored behind Rindge Dam has been used exclusively for irrigation purposes and that the original storage capacity of some 400 acre-feet has been reduced by silting to some 30 acre-feet, a staff engineer testified that it was his opinion that the reservoir could be desilted and repaired economically, and thereafter utilized for domestic purposes.

#### Bases of Application

Applicant alleges that increased rates are required for three reasons, to wit:

1. To comply with the agreement, Exhibit No. 2, dated April 21, 1954, between the State Department of Public Works and applicant, with respect to a highway relocation loan of \$37,425 payable over a 10-year period, in equal installments, with no interest.

<sup>6/</sup> In testimony and evidence adduced at the hearings, the staff engineers considered this well as nonoperating property.

2. To eliminate the recurring deficits applicant has sustained in its operations since Decision No. 45567, dated April 10, 1951, in Application No. 30713. Said decision established applicant's present rates.
3. To realize a reasonable return on applicant's invested capital.

Rates

The following tabulation is a comparison of applicant's present rates, those proposed in the application, and the rates hereinafter authorized to be filed.

COMPARISON OF PRESENT, PROPOSED, AND AUTHORIZED RATES

GENERAL METERED SERVICE

Quantity Rates:	Per Meter per Month		
	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First 500 cu.ft. or less .....	\$2.50	\$4.25	\$2.75
Next 1,500 cu.ft., per 100 cu.ft.....	.40	.68	.42
Next 3,000 cu.ft., per 100 cu.ft.....	.35	.59½	.36
Over 5,000 cu.ft., per 100 cu.ft.....	.30	.51	.30

IRRIGATION SERVICE

Quantity Charge:

Per 100 cu.ft.....	\$ .11	\$ .18	\$ .12
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FIRE HYDRANT RATES

For each fire hydrant .....	\$1.50	\$2.55	\$1.00 <sup>7</sup>
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The record shows that the average bimonthly domestic consumption is 1,380 cubic feet. Under the present rates, the charge for such consumption is \$6.52; under the proposed rates

<sup>7</sup> Exhibit No. 12 is a letter from the Los Angeles County Fire Department dated July 14, 1955, indicating that applicant and the County intend to enter into a fire hydrant rental agreement providing for fire hydrant rental of \$1.00 per month per hydrant and also containing provisions for installation and repairing of hydrants by the County and furnishing by it of fire hydrant heads.

such charge would be \$11.08, an increase of 70 percent; and under the rates authorized hereinafter, \$7.10, an increase of about 9 percent. Average annual revenue per consumer under present rates is approximately \$75; under proposed rates it would be \$128; and under those authorized, \$80.

#### Consumers' Protests Against Proposed Rates

Many consumers, particularly those who appeared in protest, use substantial quantities of water for windbreaks, lawns, and gardens in maintaining one-half-acre homesites. Several protestants testified that applicant's proposed increase of 70 percent would force them to give up their properties and leave the community, since grant deeds under which they purchased their properties from Marblehead contained a clause which prohibited them from drilling private wells thereon, and, therefore, there was no other source of domestic water supply available to them except applicant's.

The size, shape and terrain of applicant's service area make it expensive to serve and justify somewhat higher minimum rates, in the nature of a "cost-to-serve" charge, than are usually necessary. On the other hand, the large size of the lots and the desirability of maintaining windbreaks and other plantings make for a high rate of usage on the part of many of applicant's customers; and the record is clear that any substantial increase in rates for the upper quantity brackets would result in serious hardship to these customers.

#### Earnings

Applicant's accounting witness, and its president, submitted certain financial, earnings, and operating data as Exhibits Nos. 4 and 6. Commission staff accounting and engineering witnesses submitted a report on the results of applicant's

operations for the year 1953 recorded, and for the years 1954 and 1955 estimated at present and proposed rates, as Exhibit No. 10. The earnings information contained in Exhibits Nos. 8 and 10 is summarized as follows:

SUMMARY OF EARNINGS

Item	Year 1954:		Year 1955 Estimated		
	Recorded	Present Rates	Proposed Rates		
	Per Co. : Exh. 8	Per Co. : Exh. 8	Per PUC : Exh. 10	Per Co. : Exh. 8	Per PUC : Exh. 10
Operating Revenues	\$ 82,656	*	\$103,380	\$139,728	\$175,510
Operating Expense	66,255	*	45,440	74,205	45,590
Depreciation	30,994	*	13,990	31,493	13,990
Taxes	9,217	*	16,810	10,323	55,450
Subtotal	\$106,466		\$ 76,240	\$116,021	\$115,030
Net Operating Revenues	\$ <u>(23,810)</u>	*	\$ 27,140	\$ 23,707	\$ 60,480
Rate Base	-	*	\$401,860	\$833,229	\$401,860
Rate of Return	-	*	6.75%	2.8%	15.05%

(Red Figure)

\* Not shown

Revenues

Applicant estimated its revenues for the year 1955 at the proposed rates by averaging the actual revenues from commercial, fire hydrant, and irrigation sales at present rates for the years 1951 through 1954, and adding thereto the estimated revenues of an additional 208 services anticipated for 1955. The resultant total was then increased by 70 percent, which is the amount of the proposed rate increase.

The staff estimate of revenues for 1955 at the proposed rates was based on a water use tabulation for domestic and irrigation consumers contained in Tables 10-A and 10-B of Exhibit No. 10. Said tabulation covers the period September 1, 1953, through August 31, 1954.

The staff method appears to be more scientific and trustworthy, in that it closely approximates actual sales for the period considered, and takes into account the latest-known water use habits of consumers. The staff estimate will be and hereby is adopted as reasonable.

Expenses

In estimating all operating expenses except depreciation for the calendar year 1955, at proposed rates, applicant's witness testified that he had increased the expenses recorded on the company's books for the year 1954 by 12 percent. Said percentage, he testified, was the average rate of increase for such expenses since 1951. No detailed analysis of individual accounts as to their composition was submitted by applicant, nor was any analysis of abnormal or nonrecurring charges submitted. Applicant submitted no results of tests of the reasonableness of its expenses other than the fact that expenses as they had occurred (or were estimated to have occurred in the case of depreciation expense) had been duly recorded on its books of account.

The staff engineer testified that he had analyzed each account in detail and had based his estimates of expenses for the year 1955 on 1954 recorded book figures, adjusted to reflect conditions which could be expected to prevail during 1955 and the foreseeable future. He had also eliminated abnormal or nonrecurring expenses which applicant might not reasonably expect to incur in 1955 and the foreseeable future, and had adjusted recorded payroll expense and rent to reflect what he considered reasonable amounts therefor.

The most important items of operating expense, and the differences between the applicant's and the staff's estimates of



them, as disclosed by the record in this proceeding, are discussed below.

(1) Pumping Expense

(a) Reduction in Southern California Edison Company Electric Rates

As of January 1, 1955, electric power rates of Southern California Edison Company applicable to applicant's pumping operations were reduced by approximately 22 percent. This reduction, although not considered by applicant in its 1955 estimate, should be so considered. Since the record shows that the staff estimate did consider this fact in its 1955 estimate, the staff estimate in this respect will be and hereby is adopted as reasonable.

(b) Utilization of Rindge Dam Reservoir Facilities

The staff engineers' estimate of pumping expense was based on the assumption that the Rindge Dam reservoir facilities could and would be fully utilized for domestic purposes. They further estimated that such full utilization would result in the requirement of only 13 percent of the pumping facilities in Malibu Basin.

Applicant based its 1955 estimate on the utilization of Rindge Dam reservoir facilities for irrigation purposes only, as during 1954.

After very careful consideration of the record and of the expert testimony on this subject, it appears that the most efficient and economical operation of applicant's water system requires that the Rindge Dam reservoir be utilized for domestic water supply purposes.

By the order which follows, applicant will be required to report to the Commission every ninety days for the next two years, its plans, the steps taken for, and its progress in utilizing the Rindge Dam reservoir for domestic purposes in whatever manner and to whatever extent such utilization may be

effected. Said reports should contain, in addition to any other information, a statement of costs involved, actual and estimated, and amounts of water made available to the domestic system.

Even without de-silting of the reservoir and repairs to the dam, it appears that the reservoir's present capacity of 30 acre-feet of water, plus the water in the voids, would supply the domestic needs now provided by all the Malibu Canyon wells, through the Malibu Canyon treatment plant, for at least six months of each year. We shall not at this time require this use of Rindge Dam water; but we will not allow, for rate-making purposes, the higher pumping expenses to which applicant subjects itself by failing to avail itself of this economical source of supply. The staff included some \$1,500 of annual expense (representing a \$30,000 estimated amount, amortized over a 20-year period) for the repair of the lip of the dam to make it fully operative for domestic use after the reservoir has been de-silted. We shall adopt that figure, which is reasonable, and make no adjustment to the 1955 staff estimate of pumping expenses as such.

(2) Purification Expense

The staff increased applicant's recorded purification expense for 1954 by 50 percent, in the staff estimate for the year 1955, to cover additional chlorination of the water from the Rindge reservoir. This appears to be a reasonable increase.

(3) Commercial Expense

This group of expenses, submitted in the staff estimate for the year 1955, reflects the estimated consumer growth between the years 1954 and 1955 and the accompanying increase in commercial expense.

(4) Regulatory Commission Expense

The record shows that the staff has amortized the estimated cost of this proceeding, \$2,360, over a five-year period. Since

this item of expense would not be expected to recur annually, the staff treatment is reasonable.

(5) Legal Expense

While it is true that applicant, in the past, has been required by certain litigations to incur abnormally large legal expenses, the record herein does not disclose the likelihood of their recurrence. The staff estimate of \$1,000 per year for a utility of this size appears to be reasonable.

(6) Rent

Although the applicant actually pays \$175 per month for rent, space adequate for the needs of a utility of this size should be obtained at a lower rental. In view of the close relationship between applicant and Marblehead, we accept the staff estimate of \$125 per month for rent, for the year 1955, as reasonable.

(7) Salaries and Payroll

As shown in Exhibit No. 4-C, applicant's payroll for officers and clerks, charged direct to expense, for the year 1954, amounted to \$17,182.50; and for crew employees, to approximately \$12,882.87; for a total payroll expense, excluding amounts charged to capital, of \$30,065.37. For a utility of applicant's size and number of consumers, this annual payroll amount is excessive for rate-making purposes. It amounts to nearly \$2.00 per consumer per month.

A staff engineer testified that a study which he had made had revealed that five other utilities in Southern California which furnished domestic water service to approximately the same number of consumers, and which pumped their water from wells, incurred payroll expenses of between \$0.75 and \$1.25 per consumer per month. This witness testified that after considering the peculiarities of applicant's operations throughout its extended service area,

he had included an amount of \$1.40 per consumer per month, or a total of approximately \$21,500, in his payroll estimate for the year 1955.

While a comparison of average payroll expense per consumer with other somewhat similar Southern California utilities may not be conclusive of the reasonableness of applicant's average payroll expense, it, nevertheless, serves as a useful guide. In this instance we find the staff payroll estimate to be reasonable, and it will be and is adopted.

(8) Necessity for Reclassifying Expenses

The record shows that applicant's books of account have not in all cases been kept in accordance with accounting procedures prescribed by this Commission, and that it was necessary for the staff to reclassify certain expenses between individual expense accounts and between capital expenditures and expense expenditures.

(9) Effect of Staff Estimates, Adjustments and Reclassification for Rate-Making Purposes on Applicant's Recorded Expenses and Financial Statements

The effect of the afore-noted and other estimates, adjustments, and reclassifications by the staff, all of which appear to be reasonable and which we have adopted or hereinafter shall adopt, has been to reduce applicant's operating expenses totaling \$66,255, as recorded on its books of account for the year 1954, to \$45,590 for the year 1955 estimated. The fact that certain amounts have been placed on applicant's books is not prima facie evidence, without supporting testimony, that such amounts are reasonable for rate-making purposes. It is the function of the Commission to test and to judge such reasonableness. It is a fact disclosed by the record herein that applicant's estimated charges to 1955 expense, wherein they differ from the

staff's estimated charges, are unreasonable. Such differences have neither been supported nor shown to be reasonable by any evidence or testimony.

Depreciation Reserve and Expense

Applicant has recorded depreciation expense and accrued its depreciation reserve on its books according to the basis adopted in Decision No. 45567, dated April 10, 1951, in Application No. 30713. Such basis was set forth in a Commission staff report introduced at the hearing on said application in 1950 and introduced herein as Exhibit No. 11. In said exhibit, depreciation expense and reserve were computed on a straight-line total life basis. The utilization of such basis resulted in the amount of depreciation expense shown for the calendar year 1954 of \$30,994.36, and the resultant accrued depreciation reserve of \$359,917.52, as shown in applicant's Exhibit No. 4.

In Exhibit No. 10, the staff calculated the estimated depreciation expense and depreciation reserve requirement on fixed capital in service included in the rate base, discussed hereinafter, according to the straight-line remaining life basis. The remaining life basis is more realistic and accurate than the straight-line total life basis sometimes previously used, and results in adequate depreciation allowances. It is inherent in this basis that there shall be periodic reviews of the estimated useful life of the plant, and the staff has made and submitted the results of such an up-to-date review. This basis has resulted in calculated depreciation expense of \$13,990 for the year 1955 and average depreciation reserve of \$284,630. While we find nothing to criticize in applicant's calculation of depreciation expense and reserve, in view of our Decision No. 45567, we find that the staff depreciation expense and reserve determinations are reasonable

and in line with present Commission policy, and they will be and hereby are adopted for the purposes of this proceeding.

Applicant's Unreasonable Charges to  
Operating Expense and Excessive  
Depreciation have resulted in Deficits  
on its Books

The consistent deficits shown by applicant's books have resulted principally from unreasonable charges to operating expense and excessive, even though understandable, depreciation expense. A reduction of annual payroll expense by nearly \$9,000, and of annual depreciation expense by \$17,000, as indicated hereinbefore, along with the other adjustments to expense items above delineated, would substantially and favorably change applicant's annual financial statement while making it far more accurately reflective of applicant's actual financial condition.

Rate Base

In estimating its weighted average depreciated rate base for 1955 as shown in Exhibit No. 10 the staff deducted from total weighted average fixed capital of \$1,167,380, donations in aid of construction of \$6,810; consumers' advances for construction of \$9,810; nonoperative property of \$86,010; theoretical advances of \$309,010; and consumer saturation adjustment of \$79,250, totaling \$490,890. An additive adjustment for highway relocation costs amounting to \$19,300, and corresponding with a similar adjustment of \$18,500 made to the 1954 estimated rate base, was included in the \$1,167,380 fixed capital shown above. The staff also added working capital of \$10,000, and deducted depreciation of \$284,630. The staff adjustments to fixed capital resulted in a total 1955 weighted average depreciated rate base of \$401,860; less than half of the base calculated and claimed by applicant.

The major items of adjustment are as follows:

(1) Nonoperative Property

A careful review of the record indicates that the Upper Malibu No. 3 well and equipment in the amount of \$11,000, Lower Malibu Nos. 2 and 3 pump-house, wells, and equipment in the amount of \$1,500 and \$2,700, respectively, and Upper Trancas No. 1 pump-house, well, and equipment in the amount of \$2,590, classified as nonoperative property by the staff, should be so classified for rate-making purposes; in addition to other wells, reservoirs, springs, intake mains, and equipment which applicant classified as nonoperative property.

It appears that Lower Trancas No. 3 pump-house, well, and equipment in the amount of \$1,970 should be classified as standby and operative to relieve Lower Trancas No. 4 well and equipment when it is out of operation for any reason.

A 7.74-acre parcel of land recorded on applicant's books in the amount of \$43,890 was classified as nonoperative by the staff. Applicant alleged that it had acquired said parcel for the protection of its Lower Malibu wells from salt water intrusion.

The record shows that this parcel of land was originally sold by Marblehead to the Quarterdeck Club in 1945 for \$1,000 per acre, or \$7,740. The vice president of applicant purchased it from said club in 1949 for \$14,500. In 1950 it was transferred to applicant in an exchange of properties at a valuation of \$43,887.50. Its fair market value, plus an adjoining 1.07 acres, now used by applicant for storing materials and supplies, as of April 15, 1955, was alleged by applicant to be \$61,670 for the land, and \$11,520 for the improvements, or a total of \$73,190. The record shows that applicant purchased the land, one-third of which lies in the Malibu Creek bed and is under water,

because of the expressed intention of the Quarterdeck Club and the Los Angeles County Department of Parks and Recreation to develop the area for small craft usage. The record herein discloses no present intention of either party to pursue such development. For the purposes of this proceeding, this parcel will be considered and is hereby found to be not used and useful property of applicant for its water system, and therefore nonoperative.

(2) Theoretical Advances

In the rate base determination set forth in Decision No. 45567, hereinbefore referred to, certain deductions from total weighted average fixed capital were made by the staff and adopted in said decision in order to adjust such capital for theoretical advances by Marblehead. For the adjusted year 1950 these deductions amounted to \$271,000, representing the cost of advances for construction of water systems in subdivisions developed by Marblehead, in excess of 100 feet of main extension. This deduction as calculated by the staff in the instant proceeding was \$309,010 for the estimated year 1955, and was based on the actual main extension rule that was in effect during the years 1940 through 1949, when capital was advanced to applicant by Marblehead. This rule stated, in effect, that 35 percent of the gross revenue from an advance was refundable for a period of 10 years. The record shows that Marblehead's advances to applicant were "theoretical" only in the sense that actual invoice records of such advances were not available. They were real and valuable advances, and since Marblehead received no stock or debt consideration for its advances, they should have been made subject to the main extension rules that were in effect. They were, in Decision No. 45567, treated as though they had been so made. The same treatment will be accorded them in the present decision. The staff



amount of \$309,010 for the estimated year 1955, submitted in Exhibit No. 10, will be and hereby is adopted as reasonable for this proceeding.

(3) Highway Relocation Costs

In determining its 1954 estimated weighted average rate base, the staff added an amount of \$18,500 to reflect the net additions to fixed capital resulting from the relocation of the State Highway (U.S. 101 Alt.) as of January 1, 1954. The full-year highway net expenditures of \$19,300 were included in the 1955 estimated rate base.

Exhibit No. 2, applicant's contract dated April 21, 1954, with the State of California Department of Public Works, provided for the repayment of \$37,425 loaned by the State for highway relocation costs incurred by the latter. Said loan will be paid in 10 equal installments over a 10-year period, at no interest. The \$18,500 and \$19,300 amounts included in the 1954 and 1955 estimated rate bases represent net expenditures by the company, after giving effect to retirement and salvage. The staff treatment of this item is reasonable and is adopted.

(4) Consumer Saturation Adjustment

The record shows that applicant's water system is over-extended, and with no prospect of full utilization within the next five years. The staff recommended that present ratepayers not be penalized through higher rates because of such over extension. A consumer saturation adjustment factor was applied by the staff, which resulted in a deduction of \$79,250 from the rate base. This amount appears to be reasonable and will be and hereby is adopted for this proceeding.

Conclusion

It is evident that applicant's earnings from revenues produced by its present rates, considering its financial requirements and operating characteristics, have been, and for the year 1955 estimated would be, deficient. The order which follows will authorize applicant to file new schedules of rates which will produce additional gross annual revenue of approximately \$6,120, after taking into account an estimated reduction of \$990 in fire hydrant rentals, or an aggregate increase of approximately 6 percent, for total estimated gross revenue of about \$108,510. When operating expenses, including taxes and depreciation of an amount of \$78,460, are deducted from such gross revenue, net revenues of \$30,050 will result. When such net revenues are related to the estimated average depreciated rate base of \$403,000 adopted herein as reasonable, which includes the classification of Lower Trancas No. 3 well and equipment as operative, a rate of return of 7.5 percent will result. This rate of return and its components, having in view the circumstances as developed in this proceeding, are found to be just and reasonable.

The record discloses the sale of water by applicant to a mutual water system at rates which deviate from those presently on file. The order which follows will require that any deviations from filed rates shall be appropriately filed with this Commission. Applicant should take steps to provide such service in accordance with its filed tariffs when feasible.

O R D E R

Application as above entitled having been filed, public hearings having been held, and the matter now being submitted and ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates, in so far as they differ from those herein prescribed, will for the future be unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

- (1) a. Applicant be, and it 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 schedules of rates shown in Appendix B, and on not less than one day's notice to the Commission and to the public to make such rates effective for service rendered on and after September 1, 1955.
- b. Applicant shall file with this Commission within thirty days after the effective date of this order, in accordance with procedure prescribed by General Order No. 96, rates for service being furnished at other than those rates in effect and on file with this Commission.
- (2) Applicant shall file within 40 days after the effective date of this order, four copies each of an appropriate tariff service area map, in conformity with the provisions of General Order No. 96, and of a comprehensive map drawn to an indicated scale not smaller than 600 feet to the inch, on which will be delineated by appropriate markings the various tracts of land and territory served; the principal water production, storage, transmission and distribution facilities; and the location of the various properties of applicant. Such tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
- (3) Applicant shall review annually the accruals to depreciation reserve which shall be determined for each primary plant account by dividing the original cost of plant, less estimated future net salvage, less depreciation reserve by the estimated remaining life of the surviving plant of the account; and the results of the reviews shall be submitted annually to the Commission.

(4) Applicant shall report to the Commission in writing within thirty days after the effective date hereof and every ninety days for the next two years, its plans and the steps taken for and its progress in utilizing the Kinde Dam reservoir for domestic purposes in whatever manner and to whatever extent such utilization may be effected. Said report shall contain, in addition to any other information, a statement of costs involved, actual and estimated, and amounts of water made available to the domestic system.

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

Dated at San Francisco, California, this 9<sup>th</sup> day of August, 1955

[Signature]  
President

[Signature]

[Signature]

[Signature]

[Signature]  
Commissioners

APPENDIX A

APPEARANCES

For Applicant: Trippet, Newcomer, Yoakum & Thomas, attorneys,  
by Frank B. Yoakum, Jr.

Protestants for Associations and Groups: Malibu Township Council,  
by Richard A. Perkins, attorney; Malibu Vista Improvement  
Association, by Scott E. Gibb; Malibu Encinal Association,  
by Antoinette Rowe; Serra Retreat, by Reverend-Robert J.  
Schmidt; Serra Retreat House, Franciscan Fathers, by Brother  
Philomen; Malibu Vista Improvement Association, by Peter Dixon;  
Double Flying J. Ranch Corporation, by Helen DeMaris Gearhart  
and Charles Howard Gearhart; Users of Irrigation Water in  
Malibu Canyon and in propria persona, by Michael E. Grant;  
Water Committee of Malibu Township Council, by Frank L. Stell.

Protestants in Propria Personae: H. C. Rockett; Edward West and  
wife; Bert Whalley and wife; Alton L. Starlin; Roland E.  
Meyerott; S. S. Pierce; Stanley R. Hankins; Doris Potter;  
J. A. Elliott; Lorraine Cherbak; Drue Andrews; Ruth Berlin;  
Mrs. George W. Dillon; Mabel H. de Voin; Mrs. Carl Jones and  
husband; Mrs. Jeffrey Burch; Mrs. Sid W. Gale and husband and  
three children; Henry A. Burr; Beatrice Sim and husband;  
Mrs. Maisie Dell Buchanan; Grace Smith and husband; Burton R.  
Files; Jean A. MacGregor; Jess Asner; Arthur V. Cole, Jr.;  
Robert C. Duckworth; R. S. Clarke; Mrs. William Strachan;  
Hugh O'Neill; Calhoun E. Jacobson; James M. Coates; Rowena T.  
Jacobson.

Interested Parties: Malibu Township Council, by Warren Dunnell;  
Point Dume Property Owners, by Frank L. Coe; Los Angeles County  
Engineer William J. Fox, by Robert Arvid Johnson.

For the Commission Staff: W. R. Roche, attorney.

APPENDIX B  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered domestic water service.

TERRITORY

The unincorporated area adjacent to the Pacific Coast known as Rancho Topanga Malibu Sequit, and vicinity, Los Angeles County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 500 cu.ft. or less .....	\$2.75
Next 1,500 cu.ft., per 100 cu.ft.....	.42
Next 3,000 cu.ft., per 100 cu.ft.....	.36
Over 5,000 cu.ft., per 100 cu.ft.....	.30
 Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.75
For 3/4-inch meter .....	3.50
For 1-inch meter .....	5.00
For 1-1/2-inch meter .....	8.00
For 2-inch meter .....	12.00
For 3-inch meter .....	25.00
For 4-inch meter .....	50.00

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

SPECIAL CONDITION

The company reserves the right to prohibit the use of water for the irrigation of crops, the products of which are intended for sale or disposal off the premises where a meter under Schedule No. 1 is intended for service of the particular premises.

Schedule No. 2

IRRIGATION SERVICE

APPLICABILITY

Applicable to all irrigation water service.

TERRITORY

The Malibu Canyon area and those lands that can be served water by gravity from Malibu Creek Reservoir, or by pumping from wells in that area.

RATES

Quantity Rate:

Per 100 cu.ft..... \$0.12

Per Meter  
per Year

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$27.00
For 3/4-inch meter .....	30.00
For 1-inch meter .....	36.00
For 1-1/2-inch meter .....	60.00
For 2-inch meter .....	100.00
For 3-inch meter .....	225.00
For 4-inch meter .....	330.00

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

SPECIAL CONDITION

The Minimum Charge is an annual charge applicable to the calendar year and payable in advance. It may be paid in two equal installments, the first installment being due and payable on January first and the second installment on July first of each year.

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service furnished to municipalities, duly organized or incorporated fire districts, or other political subdivisions of the State.

TERRITORY

The unincorporated area adjacent to the Pacific Coast known as Rancho Topanga Malibu Sequit, and vicinity, Los Angeles County.

RATE

	<u>Per Hydrant per Month</u>
For each fire hydrant .....	\$1.00

SPECIAL CONDITIONS

1. The costs of installing fire hydrants and of repairing damaged hydrants will be paid by the fire protection agency.
2. The fire hydrant head in new installations will be furnished by the fire protection agency.
3. The fire protection agency will designate the location, size and type of the hydrant to be installed.
4. When any fire hydrant is relocated at the request of the fire protection agency, the cost thereof shall be paid by such agency.