

ORIGINAL

Decision No. 14074.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
SOUTH PARK WATER COMPANY
for an order authorizing increase in
rates, abandonment of irrigating
service schedule and for issuance
of stock.

Application No. 10219.

James L. Patten, for Applicant.

Thomas J. Clark, for South Los Angeles Improvement
Association.

BY THE COMMISSION:

O P I N I O N.

In this application the South Park Water Company, a corporation, asks that the Railroad Commission authorize it to increase the rates charged for water delivered to consumers, to abandon service of water for irrigation purposes, and to issue to South Park Land Company 970 shares of its common capital stock, of a par value of \$100 each, in payment for the public utility water system supplying consumers located on Tracts No. 3287, No. 3598, No. 3754, No. 4449, No. 4897, and No. 5745, all in Los Angeles County.

A public hearing in this matter was held before Examiner Williams at Los Angeles, after due notice thereof had been given so that all interested parties might be present and be heard.

The testimony shows that this water system was originally installed about 1918 by South Park Land Company, a corporation, to supply water for irrigation purposes to a large tract of land. Portions of the original tract were sold without any obligation to supply water, and the remainder, consisting of the present area served, was subdivided into lots which were sold to the public and water for domestic

service was furnished to residents thereon. At the present time irrigation service is given to only one parcel of three acres which will undoubtedly be subdivided into residence lots in the near future.

South Park Water Company, a corporation, was organized by South Park Land Company for the purpose of taking over and operating the water system and to separate the utility from the land business. The water company was incorporated August 22, 1918, and amended articles of incorporation were approved April 25, 1923.

On May 1, 1923, South Park Water Company filed Application No. 8978 for a certificate of public convenience and necessity, which was granted by Decision No. 12280, dated June 27, 1923, and the following schedule of rates was established:

DOMESTIC METER RATE.

Monthly Minimum Charges:

5/8 inch meter	\$.50
1 inch meter	1.00

Monthly Meter Rates:

0 to 3000 cubic feet, per 100 cubic feet	0.07
All in excess of 3000 cubic feet, per 100 cu.ft.	0.05

IRRIGATION USE RATE.

Per 100 cubic feet	0.03
Additional meter service charge for	
1 inch meter or smaller	0.25
Meters larger than 1 inch	0.50

In this application the utility asks authority to establish the following rate schedule:

- \$1.50 per month for 700 cubic feet or less.
- 0.15 per 100 cubic feet for 700 to 3000 cubic feet.
- 0.12 per 100 cubic feet for over 3000 cubic feet.

The water system consists of a 16 inch well, 600 feet deep, in which is installed a 12 inch, 4 stage, Layne-Bowler pump driven by a 40 horse power electric motor. Water is delivered from the well into a 50000 gallon capacity steel storage tank on a 50 foot tower.

The distribution system consists of approximately 106,000 feet of riveted steel and screw pipe ranging in diameter from 2 to 10 inches. At the time of the hearing in this proceeding on July 28, 1924, there were 1058 consumers supplied with water through metered services.

The original cost of the system as shown by applicant was \$97,126, and the evidence submitted shows conclusively that operating expenses of the utility have greatly exceeded the revenues received from the sale of water.

At the hearing E. A. Noble, one of the Commission's hydraulic engineers, submitted a report in which was shown an estimate of reasonable original cost of the property amounting to \$101,074, together with a depreciation annuity of \$2,312. Maintenance and operation expense for the immediate future was estimated at \$8,130. Revenues for the year 1922 were \$773, for 1923 were \$3,278, and for the first five months of 1924 were \$2,398.

The foregoing statement of revenues indicates a continuous and very material growth in the business of the utility but it is evident that the ordinary increase of the business at the present rates will not produce the revenues necessary to cover reasonable maintenance and operation expense, depreciation annuity, and what under the circumstances is a fair return upon the investment in the property. The present rates are low as compared with the charges made for service by other utilities operating under similar conditions. The evidence also indicates that the area served is now reasonably well developed and that the system is not overbuilt.

The territory supplied by the utility has developed into a district where the use of water is entirely of a domestic character and it is apparent that such irrigation service as is now furnished may be discontinued without any material inconvenience or damage to the one remaining consumer, provided a reasonable time be allowed in which to enable that consumer to make other arrangements for water service.

Complaint was made at the hearing by some of the consumers that the service rendered by the utility has been inadequate at times. The evidence shows, however, that while some interruption of service has resulted in 1924 from the electric power shortage now prevalent in the southern part of the state, only one temporary discontinuance of supply has occurred through the failure of any of the applicant's equipment. It was also shown that practically all of the inadequate service complained of had occurred in previous years and that the applicant had recently made arrangements with another utility in the vicinity whereby, in cases of emergency, water can be turned from either of the systems into the other until such time as any temporary shortage can be remedied.

Applicant's Articles of Incorporation, a copy of which was filed in Application Number 8978, indicate that it was organized with an authorized capital stock of \$50,000, divided into 500 shares of the par value of \$100 each, all shares being common. In the present application it is recited that proceedings have been instituted to increase the authorized capital stock to \$150,000, to consist entirely of common stock divided into 1500 shares of the par value of \$100 each. Heretofore only three shares of stock of the aggregate par value of \$300 have been issued. It appears to us that the \$97,000 of stock herein applied for is a reasonable amount of stock to be authorized for the purpose of acquiring the properties of South Park Land Company, and the order herein will so provide.

O R D E R.

South Park Water Company, a corporation, having made application for authority to increase the rates charged for water delivered to consumers, to abandon the service of water for irrigation purposes, and to issue to South Park Land Company 970 shares of its common capital stock of a par value of \$100 per share in payment for the

public utility water system supplying consumers located on Tracts No. 3287, No. 3598, No. 3754, No. 4449, No. 4897, and No. 5745, Los Angeles County, a public hearing having been held thereon, the matter having been submitted, and the Commission being now fully informed thereon,

It is hereby Found as a Fact that the rates now charged by South Park Water Company, a corporation, for water delivered to consumers located upon the above described tracts of land in Los Angeles County, 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 for such service, and

It Is Hereby Further Found as a Fact that public convenience and necessity do not require that South Park Water Company, a corporation, continue the furnishing of water for irrigation purposes after December 31, 1924.

Basing the order upon the foregoing findings of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that South Park Water Company, a corporation, be and it is hereby authorized to file with this Commission, on or before September 30, 1924, the following schedule of rates to be charged for all water delivered subsequent to September 30, 1924, to consumers located upon the tracts of land previously described in the order herein:

MINIMUM MONTHLY CHARGES.

For 5/8 inch meter . . . 1	\$1.25
For 3/4 inch meter	2.00
For 1 inch meter	3.00
For 1 1/2 inch meter	6.00
For 2 inch meter	9.00
For 3 inch meter	16.00
For 4 inch meter	25.00

Each of the foregoing "minimum monthly charges" will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following "monthly meter rates".

MONTHLY METER RATES FOR DOMESTIC SERVICE.

From 0 to 1000 cubic feet, per 100 cubic feet . . \$0.25
From 1000 to 3000 cubic feet, per 100 cu. ft. . . 0.15
Over 3000 cubic feet, per 100 cubic feet 0.12

MONTHLY METER RATES FOR IRRIGATION SERVICE.

(To be effective until December 31, 1924.)

From 0 to 1000 cubic feet, per 100 cubic feet . . \$0.25
From 1000 to 2000 cubic feet, per 100 cu. ft. . . 0.20
Over 2000 cubic feet, per 100 cubic feet. 0.05

IT IS HEREBY FURTHER ORDERED that South Park Water Company, a corporation, be and the same is hereby directed to notify in writing, within twenty (20) days from the date of this order, any consumers now supplied at irrigation rates of its intention to discontinue service of water for irrigation purposes on December 31, 1924, and to furnish this Commission, within thirty (30) days from the date of this order, with a certified statement that such notice of discontinuance has been given as directed herein.

IT IS HEREBY FURTHER ORDERED that South Park Water Company be, and it is hereby authorized to issue \$97,000 par value of its common capital stock in payment for the properties of South Park Land Company to which reference is made in the foregoing opinion.

The authority herein granted is subject to the following conditions:

1. South Park Water Company shall file with the Commission within sixty days from the date hereof a certified copy of its Articles of Incorporation, amended as indicated in the foregoing opinion.
2. Applicant shall keep such record of the issue and delivery of the stock herein authorized as will enable it to file on or before the 25th day of each month a verified report as required by the Railroad Commission's General Order No. 24, which order in so far as applicable, is made a part of this order.

3. Within thirty days after execution applicant shall file with the Commission a certified copy of the deed under which it acquires title to the properties of South Park Land Company.
4. The authority herein granted to issue stock will become effective upon the date hereof.

Dated at San Francisco, California, this 17th day of September, 1924.

H. B. Burdick

Waring Norton

J. F. Whitney
Commissioners.