



On August 2, 1924, an order was issued reopening the former proceedings for the purpose of determining ways and means for financing and obtaining an auxiliary water supply from the municipal water system of the City of Los Angeles. As a result of the hearing held in this matter a stipulation was entered into by and between counsel for complainants and Laurel Canyon Land Company, whereby certain of the consumers solemnly pledged themselves and agreed to advance to the Land Company a sum of money not to exceed Thirty-three Hundred Dollars (\$3,300.00) toward assisting the company in installing the necessary pumping plant, equipment and connections to obtain and utilize the required additional water from the City of Los Angeles, which had consented to supply this service.

Placing full and complete reliance upon this stipulation and in accordance with the terms thereof, the Commission issued its First Supplemental Order in this proceeding, being Decision No. 13937, rendered August 19, 1924, in which Laurel Canyon Land Company was directed to proceed at once to install the pumping equipment and connections in accordance with the terms and provisions of said stipulation and further, as also provided therein, directed said defendant Land Company to refund to R. L. Chatain as Trustee for the consumers the sum of Seventy-five Dollars (\$75.00) at the end of each month, commencing September 30, 1924, until such time as the entire amount deposited by the trustee for the consumers should be refunded.

On October 3, 1924, C. J. Milliron, one of the complainants above, filed a petition alleging among other things, that the additional supply of water obtained by defendant Land Company was not a permanent supply but on the contrary was temporary only, which fact it was alleged was not learned by said complainant until September 30, 1924. The Commission was therefore requested

to reopen these proceedings to determine whether or not Laurel Canyon Land Company had complied with the terms of the Commission's order in the aforesaid Decision No. 13937.

On November 12, 1924, defendant filed a petition with the Commission alleging that said R. L. Chatain, as Trustee for the consumers, had wholly failed to deliver to defendant the Thirty-three Hundred Dollars (\$3,300.00) or any part of it, as agreed under the above stipulation, and therefore requested that the aforesaid supplemental order, Decision No. 13937, be modified, relieving defendant from the duty imposed upon it by the terms of said order requiring it to refund to said R. L. Chatain as Trustee, at the rate of \$75.00 per month, the sum of Thirty-three Hundred Dollars (\$3,300.00), no part of which had ever been received by said defendant.

Accordingly the Commission, on November 21, 1924, issued an order reopening the proceedings and a public hearing was held thereon before Examiner Satterwhite in Los Angeles after all interested parties had been duly notified and given an opportunity to appear and be heard.

The testimony shows that the defendant, Laurel Canyon Land Company, has fully and in good faith complied with the terms and conditions of the stipulation entered into as directed in the Commission's order, with the exception that said defendant, not having received any part of the Thirty-three Hundred Dollars which certain of the consumers had solemnly agreed to advance, has not therefore made the monthly refunds of Seventy-five Dollars to said consumers. Defendant has installed a connection with the mains of the City of Los Angeles and at an expense considerably over the above Thirty-three Hundred Dollars has erected a pumping plant and installed connecting pipe lines in full accordance with the

terms of the stipulation and is at present delivering to its consumers an adequate supply of water at proper pressures.

Complainants have not lived up to the terms of their agreement and have refused to turn over to defendant the Thirty-three Hundred Dollars (\$3,300.00), upon the ground that the supply of water obtained from the City of Los Angeles is of a temporary nature only and that furthermore the Commission exceeded its authority in the method established for the refunding of the money to be advanced by consumers in limiting such refund to the salvage value of the new equipment installed in case the City of Los Angeles should replace defendant's water system with its municipal water mains.

In this regard, attention is directed to the terms and conditions of the stipulation between consumers and defendant, Paragraph No. 3 of which provides as follows:

"The money so advanced by said consumers, through the second party as trustee, shall be refunded to said consumers in the manner and under such terms and conditions and at such time or times as may be provided by the Railroad Commission of the State of California."

The following extract from the Commission's order in Decision No. 13937, was based upon and is in full accord with the provisions of the above Paragraph No. 3 of the stipulation:

"IT IS HEREBY FURTHER ORDERED that Laurel Canyon Land Company be and it is hereby directed to refund to R. L. Chatain as Trustee, as provided for in the attached stipulation, the sum of Seventy-five Dollars, (\$75.00) at the end of each and every month commencing on September 30, 1924, and continuing until such time as the entire amount deposited by consumers has been refunded; providing, however, that should the extension and connection to the mains of the City of Los Angeles become non-operative due to the fact that the said City may have installed a water system throughout the territory now served by Laurel Canyon Land Company, then the Laurel Canyon Land Company shall proceed to salvage such extension and pumping equipment and the money so recovered shall be refunded to the consumers through R. L. Chatain, as Trustee, in an amount equal to the remaining refund then due, or the total amount recovered if less than the amount due, which shall constitute payment in full."

The evidence shows that at the time this stipulation was entered into it was accepted as conclusive by the public generally that it was only a question of months before the entire water plant and system of defendant would be replaced by the city water system, which would result in the complete scrapping or abandonment of defendant's entire water system. As a matter of fact it was just this situation that caused the stipulation to be executed. The provisions governing the refunds as set out in the Commission's order therefore were not only within the contemplation of the stipulation and in strict conformity with the terms thereof, but were most fair and just methods of distributing the inevitable loss of this investment between the parties at interest in case the installation should thereby be rendered inoperative, prior to the time when the total amount advanced had been refunded to the consumers. The fact must not be lost sight of that the complainants herein demanded the immediate expenditure of this money by the defendant to obtain a water supply from the City of Los Angeles in the face of a pending election by the people of this territory to obtain their entire water supply in the future from the municipal system, with full knowledge that the City of Los Angeles would not acquire from the defendant by purchase or otherwise any part of its water system. Under such circumstances it would be most unfair to require the defendant alone to suffer the entire loss.

Complainant Milliron contended that the water supply obtained by defendant was but temporary and that this temporary status was unknown to him until September 30, 1924. From this, complainant claims that the consumers are thereby relieved from their solemn agreement to advance to defendant the sum of Thirty-three Hundred Dollars as stipulated. This contention is unsound and without force. The evidence indicates that certain corres-

pondence from the Railroad Commission to said Milliron under date of April 23, 1924, contained the information that the supply to be procured from the City of Los Angeles would be available only until the Laurel Canyon district voted upon the proposition of accepting the city water supply, which if ratified would thereafter be permanent. The date of the stipulation in this matter was August 12, 1924.

Furthermore, since the submission of these cases, elections have been held in which this territory has voted the necessary bonds to insure the immediate installation of the municipal system to serve the Laurel Canyon district, which therefore makes the supply of water obtained by defendant in fact a permanent supply to the district.

Laurel Canyon Land Company has requested modification of the Commission's order directing it to refund monthly certain amounts of money to R. L. Chatain, Trustee for certain consumers as provided in the stipulation. This request will be granted.

It should be pointed out at this time that the Commission, recognizing the practical certainty that the City of Los Angeles would extend its municipal water system to serve this territory within a very short time, did not therefore consider itself justified in directing defendant to expend the large sum of money necessary to obtain a new and additional water supply which investment would be rendered valueless upon the installation of the City mains. Accepting the stipulation entered into in this proceeding as morally binding and as executed in entire good faith, the Commission directed defendant to make the necessary expenditure at once, which otherwise would not have been so ordered. Placing as it did full and complete confidence in the sincerity of the respective parties to this stipulation and agreement, the Commission would have considered it an unwarranted affront to have provided in its order for the non-compliance by the consumers with the provisions of the stipulation.

The Commission is firmly convinced that the terms and conditions of its first supplemental order herein are both just and reasonable and has full confidence in the complainants herein to the end that they will not fail to completely fulfill their share of the agreement.

### O R D E R

Petitions having been filed in the above entitled matter requesting a reopening of the proceedings and a modification of the terms of the Commission's order in Decision No. 13937, the Commission having on the twenty-first day of November, 1924, issued its order reopening said proceedings, a public hearing having been held thereon, the matter having been submitted and being now ready for decision,

IT IS HEREBY ORDERED that the third paragraph of the first Supplemental Order in this Commission's Decision No. 13937, dated August 19, 1924, be and it is hereby modified to read as follows:

"IT IS HEREBY FURTHER ORDERED that Laurel Canyon Land Company be and it is hereby directed to refund to R. L. Chatain, Trustee, as provided for in the attached stipulation, the sum of Seventy-Five Dollars (\$75.00) at the end of each and every month commencing at the end of the month next following the payment to said Laurel Canyon Land Company of the sum of Thirty-Three Hundred Dollars (\$3,300.00) by said R. L. Chatain, Trustee, and continuing until such time as the entire amount paid by R. L. Chatain, Trustee, has been refunded; providing, however, that should the extension and connection to the mains of the City of Los Angeles become non-operative due to the fact that the said City of Los Angeles may have installed a water system throughout the territory now served by Laurel Canyon Land Company, then said Laurel Canyon Land Company shall proceed to salvage such extension and pumping equipment and the money so recovered shall be refunded to R. L. Chatain, as Trustee for the consumers, in an amount equal to the remaining refund then due, or the total amount recovered if less than the amount due, which shall constitute payment in full."

IT IS HEREBY FURTHER ORDERED that the First Supplemental Order in Cases Nos. 1937 and 1938, Decision No. 13937, Dated August 19, 1924, except as modified herein by this second supplemental order, shall remain in full force and effect.

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 27 day of June, 1925.

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*C. Seaver*  
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*Egerton Shore*  
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*George H. Squire*  
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Commissioners.