

Decision No. 16031.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

COLONEL C. KENNEY et al.,  
Complainants, )

vs. )

SOUTH PARK WATER COMPANY,  
Defendant. )

Case No. 2168.

Thomas H. Cox and Colonel C. Kenney,  
for complainants.

Hugh Gordon, for defendant.

BY THE COMMISSION:

O P I N I O N

This is a case brought by Colonel C. Kenney and twenty-five other consumers versus the South Park Water Company, a public utility water company which furnishes water for domestic purposes in the City of Los Angeles, Los Angeles County.

The complaint alleges in effect that the schedule of rates now charged by defendant company for water service as established by the Commission is unjust and exorbitant and higher than necessary to enable defendant to obtain a reasonable return upon its investment; that the consumers are forced to pay such a high and unreasonable rate for water that they cannot afford to use enough water for their household purposes or grow and maintain lawns and gardens. Wherefore the Railroad Commission is requested to issue its order declaring the existing schedule of rates to be unreasonable, unjust and exorbitant and to establish as proper

charges for the service rendered by this company the following schedule of rates;

3000 cubic feet or less. . .	\$.07	per	hundred	cubic	feet.
Over 3000 cubic feet . . . .	.05	"	"	"	"
Minimum bill . . . . .	.75	"	"	"	"

Defendant by way of answer enters a general denial to all essential matters complained of and requests the Commission to dismiss the complaint.

A public hearing in the above entitled proceeding was held before Examiner Williams in Los Angeles after all interested parties had been notified and given an opportunity to appear and be heard.

The South Park Water Company serves water for domestic purposes to a tract of subdivided property known as South Park Gardens located about eight miles south of the business section of Los Angeles and outside the corporate limits of said city. This system has 1519 metered service connections and obtains its supply from one well. Water is pumped into storage tanks and distributed to the consumers by gravity.

Since the filing of this complaint the Commission on November the 14th, 1925, in its Decision No. 15641, approved the consolidation of this system with the Morgan Water Plant, which operates as a public utility serving water in adjoining territory. These consolidated systems now operate under the name of South Park Water Company, a corporation. The water supply of the Morgan Plant is obtained from three wells. There are now 1174 service connections on this system, none of which is metered.

The rates now charged on the South Park system were established by the Commission in Decision No. 14078, rendered September 17, 1924, and are in part as follows:

MONTHLY METER RATES

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 cu.ft. . . . .	0.12
Monthly minimum payment for 5/8" meter . . . . .	1.25
Etc.	

Defendant submitted the sum of \$205,423 as its estimate of the original cost of the consolidated systems after deducting an item of \$5,928 for fire hydrants which were not the property of the company, and estimated the future operating costs exclusive of depreciation to be \$29,970.

D. H. Harroun, one of the Commission's engineers, submitted an appraisal based upon findings of value by the Commission in the rate proceedings involving this property, to which additions and betterments to plant made subsequent thereto were added. The estimated original cost was found to be \$204,874 as of January 1, 1926, and the depreciation annuity was given as \$5,650, computed by the sinking fund method at 5%. In his report the Commission's engineer recommended the sum of \$23,595 as a reasonable allowance for the operating and maintenance expenses for the immediate future. No figures on costs of operation and maintenance or appraisalment of the physical properties were presented by complainants.

The total revenues of these properties for the year 1925 were \$42,837.. The operations for 1925, based upon the operating expenses submitted by the defendant, resulted in a net return of approximately 3.5% upon a rate base of \$204,874, while a net return on the same rate base of slightly less than 6.2% resulted by using the operating expenses estimated by the Commission's engineer. The evidence shows that the communities served by defendant have experienced a considerable growth during 1924, falling off somewhat during 1925. However, the facts at this time do not warrant the assumption that there will be such radical changes in the local conditions in the near future as will greatly alter the operations of this company.

The rates of 7 cents per 100 cubic feet for the first 3000 cubic feet and 5 cents per 100 cubic feet for all in excess thereof, with a monthly minimum payment of 75¢, which were request-

ed by complainants, are conclusively shown by the evidence to be entirely inadequate.

A careful consideration of the evidence indicates that based upon the lowest figures submitted and therefore the least favorable to the company, the defendant is not making an unreasonable net return upon its investment, and it appears therefore that the rates under which it is now operating are not unfair and unjust charges for the service rendered. Under these circumstances therefore the complaint must be dismissed.

### O R D E R

Complaint having been made to this Commission as entitled above, a public hearing having been held thereon, the matter having been submitted, and the Commission being now fully informed thereon,

IT IS HEREBY ORDERED, for the reasons set out in the opinion which precedes this order, that the above entitled complaint be and the same is hereby dismissed.

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

Dated at San Francisco, California, this 2<sup>nd</sup> day of March, 1926.

W. B. Brundage  
Charles  
Ernest  
Leon

Commissioners.