

ORIGINAL

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of  
CONSERVATIVE REALTY COMPANY for an  
order fixing its rates for water ser-  
vice in the County of Los Angeles.

} Application No. 494.

Jones and Bennett for applicant.  
F. E. Amend for consumers.

ESHELMAN, Commissioner.

O P I N I O N .

A decision was rendered in this case on the 9th day of May, 1913, dismissing the application on the ground that the contracts which had been entered into between this Company and its consumers, as construed at the time, put a limitation of 75% per month upon the charge which the Company would make. The consumers, however, agreed in the face of such alleged construction to a rate of \$1.00 and this rate was fixed in the order.

Applicant asked for a rehearing and such rehearing was granted on the question of the contracts alone, the contention of the applicant being that the contracts themselves could not be construed to limit the charge to be made to 75% or any other amount but merely to fix 75% as a minimum and that no representations had been made to the contract-holders which could be construed by such contract-holders as entitling them to the 75% rate. With the construction of the contracts contended for by the applicant we agree, and the sole question which was left for this Commission to decide in determining the effect of such contracts upon the rates, is whether or not representations were made to prospective consumers which would lead them to believe that the contracts

meant what a careful consideration of such contracts shows they did not mean. Of course any legal contemplation of such representations with reference to the unambiguous contract would have no effect, but in appealing to the discretion which is lodged in this Commission such representations do and should have large effect. Therefore the Commission granted a rehearing in order to enable the applicant to show that the representations had not been made which the consumers alleged were made. I am entirely satisfied with the showing made by the Company. A positive denial is made by all of the officers of the Company that any representations were ever made to any one other than that the 75¢ named in the contract should be the minimum amount, which minimum could be changed if the Company elected so to do. Only one witness testified in behalf of the protesting consumers. This witness did not at all contradict the position of the applicant.

I am, therefore, of the opinion that rates should be fixed for this Company on the usual basis which is followed by this Commission.

The applicant serves the Town of Watts and surrounding territory in the County of Los Angeles, and has 796 consumers. Of these consumers 395 are in the Town of Watts and 401 in unincorporated territory. Any order made by this Commission, of course, will affect only the latter consumers.

The Company asks for a rate of 15¢ per thousand gallons with a minimum monthly charge of \$1.25. There is no contest over the 15¢ per thousand gallons but the minimum charge of \$1.25 is the cause of contention.

The Commission's engineer finds a present value of the Company's property of \$56,208.00. The total gross income of this Company under the 15¢ per thousand gallons rate with a \$1.25 minimum which has been in effect during the year 1912, is \$11,156. The Company makes a connection charge of \$12.00 for each 3/4-inch connection, and during the year in question the amount realized from

such connection charge was \$1,021.60; eliminating this from its gross income leaves a gross income of \$10,135.60 from water sales. Applicant shows a total expense for the year 1912 of \$8,935.29. This expense includes a salary for Mr. Peddar of \$200.00 per month and certain other items which the Commission's Auditing and Engineering Departments think should be eliminated, and on the basis of the proper charges the operating expense of this Company for the year 1912 was \$7,470.00. On the value of \$56,208.00 submitted by the Engineering Department of this Commission the gross revenue of \$7,470 is certainly not excessive. As has been said, this revenue is the result of the 15¢ per thousand gallons rate with a minimum monthly charge of \$1.25, which has been in effect during the last year and which is sought to be kept in effect by the applicant, and represents quite accurately what would be the result of the establishment of such a rate. If the amount of depreciation which is recommended by the engineer for the Commission be allowed such depreciation plus the annual expense amounts practically to the total gross revenue of this Company without any allowance for an earning on the value of the property. The population of this section is rapidly increasing, however, and it is my opinion that the rate of 15¢ per thousand gallons with a minimum monthly charge of \$1.25 asked for by the Company is reasonable under all the circumstances and will within a comparatively short time net the Company a reasonable profit. At present, however, the rate applied for will not net this Company any profit.

I believe the connection and meter charges should be eliminated. The meter charge the Company has already eliminated, and I think in the order it should be required to eliminate the connection charge of \$12.00. If a higher rate is necessary hereafter by reason of the elimination of this connection charge it should be allowed, but the Commission has already held in several instances that these connection charges are unwarranted.

I recommend the following order:

O R D E R .

CONSERVATIVE REALTY COMPANY, a corporation, having applied to this Commission to fix the rates which it shall charge to its consumers in unincorporated territory served by it in the County of Los Angeles, and a hearing having been held and being fully apprised in the premises,

THE COMMISSION HEREBY FINDS AS A FACT:

1. That the rate of fifteen (15%) cents per thousand gallons with a minimum charge of one and 25/100 (\$1.25) dollars per consumer is a reasonable charge to be exacted by the applicant, Conservative Realty, Company.

2. That the connection charge of twelve (\$12.00) dollars per connection is an unjust and unreasonable exaction.

And basing its order on the foregoing findings of fact and on the findings of fact in the opinion hereto,

IT IS HEREBY ORDERED:

1. That the rate of fifteen (15%) cents per thousand gallons with a minimum monthly charge of one and 25/100 (\$1.25) dollars be and the same is hereby established as a reasonable rate to be charged by Conservative Realty, Company for water delivered to its consumers in unincorporated territory in the County of Los Angeles.

2. That from and after the effective date of this order no connection charge or meter charge be made by this Company.

3. This order shall take effect and be in force on and after the 1st day of November, 1913.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of  
October, 1913.

John M. Eschman

Max Thelen

Edwin C. Edgerton

Commissioners.