

Decision No. 2765

ORIGINAL

In the matter of the application of PANAMA ACRES SYNDICATE for an order authorizing rates to domestic consumers in Panama Acres, such rates to be increased over those at present in effect.

Application No. 1812.

Andrews, Toland and Andrews, for Applicant.
B.H. Burke and J.K. Detrich, for the protecting consumers.

O P I N I O N

DEVLIN, Commissioner.

This is an application to establish a new schedule of water rates in Panama Acres, a tract of some 240 acres adjoining the City of Los Angeles on the south. This tract was placed upon the market in acre lots in 1910 by the Syndicate and approximately the entire holdings have been disposed of, the Syndicate holding now only about 5 acres. The settlement of the tract has not been as rapid as the sales, as only 23 consumers are located and about 25 acres cultivated.

The rates established by the Syndicate when they opened the tract, were:

- \$1.50 per month, minimum, for 3000 cubic feet or less.
- 0.07 per 100 cubic feet excess.

About June 1915, a circular was sent to the consumers, stating that after July 10th, 1915, the rate would be changed to \$1.50 for 1200 cubic feet and 10 cents per hundred feet excess. Soon after the date of the circular, the attention of the Syndicate was drawn to the legal requirements necessary before a change of rates is possible, with the result that this action was brought before the Commission.

The use of water on the acre lots in this Tract is alleged by the Syndicate to be for domestic purposes, but, generally,

When lots are sold off in the acre size, some agricultural use is contemplated of the land not occupied by dwellings. Garden truck and fruit trees have here been planted by the consumers. The system of pipes is of 6, 4, and 3 inch diameter. Service of water through these mains for irrigation use in any substantial quantity is not practical.

The consumers appeared at the hearing and stated their desire to have an irrigation rate established. They considered the term "irrigation use" to embrace water for trees and gardens but not for household or lawn purposes.

The statements of the applicant as to their revenues and expenses for the past twelve months were not challenged by the consumers, and I, too, think that the same are very reasonable. Applicant did not ask for any interest return upon the cost of the water system, approximately \$10,000, but did ask that the operating expenses be met by the revenues. The following is the financial statement for the year ending June 30, 1915:

EXPENSES:

Electric Power	\$278.50
Supplies and repair	79.24
Pump man's wages @ \$16	192.00
Office expense @ \$12.50	150.00
	<u>\$ 699.74</u>

REVENUES:

From water sales	<u>428.88</u>
Deficit	\$ 270.66

It is no more than reasonable to expect that some time must elapse after the opening of a tract before the water utility part of the business can care for itself. Here we have a possible total of 234 consumers, and only 10% of that number settled on the tract. In considering whether or not ~~xxxxx~~ 23 consumers should now bear the entire operating expenses; the reasonableness of the rate should be a factor and the rate should not be based entirely upon the percentage settlement of the tract.

The minimum of 3000 cubic feet heretofore enjoyed by the consumers is about three times the average use of the ordinary household. The average rate for such service is from \$1.25 to \$1.50 per month. Irrigation water in communities near Panama Acres is generally charged at the rate of 3 cents per hour-inch, which is equivalent to 4 cents per hundred feet. Heretofore the rate has been 7 cents per hundred cubic feet, and I am inclined to consider such a rate too high for the largest use of water now developed in Panama Acres.

Data as to the average metered use of the consumers was submitted by one of this Commission's Hydraulic Engineers. It was shown that there was a 12% increase in use during the past year. In order to show the effect on the rates of returning to applicant its full operating expense, a trial rate of \$1.50 for 1000 cubic feet and 10 cents per hundred cubic feet excess was shown to be necessary, but this I consider too high a rate for the consumers to pay.

Taking all the matters into consideration which were advanced by the applicant and by the protestants in this proceeding, I find as a fact that the present rates, in so far as they differ from the rates herein found to be just and reasonable, are unjust and non-compensatory and that the rates herein recommended are just, fair, reasonable and compensatory. I will recommend that the minimum quantity of water be lowered to 1000 cubic feet per month, and establish a sliding scale of rates for the excess use over 1000 cubic feet. While I realize that the revenues under such a rate as I recommend will not fully return to applicant its operating expense, I feel that the Syndicate should yet bear a share in the cost of running their system. I therefore find as a fact that reasonable and just rates ^{to} be collected by Panama Acres Syndicate, are:

\$1.50 per month, minimum, for 1000 cubic feet or less

0.08 per 100 cubic feet excess for the next
1000 cubic feet.

0.05 per 100 cubic feet for all excess used
over 2000 cubic feet per month.

I recommend the following form of order:

O R D E R

PANAMA ACRES SYNDICATE, having made application to this Commission for an order authorizing a change in rates heretofore in effect in Panama Acres, and a hearing having been held and it appearing from the foregoing opinion and findings of fact that the rates heretofore collected by PANAMA ACRES SYNDICATE are unjust and unreasonable and that the following schedule is just and reasonable,

IT IS HEREBY ORDERED that PANAMA ACRES SYNDICATE be authorized to charge the following rates for water furnished by them to Panama Acres:

\$1.50 per month, minimum, for 1000 cubic feet or less.

0.08 per 100 cubic feet for the next 1000 cubic feet

6.05 per 100 cubic feet for all excess used over
2000 cubic feet per month.

IT IS HEREBY FURTHER ORDERED that these rates shall become effective on and after October 1, 1915, providing PANAMA ACRES SYNDICATE, prior to that date, shall file with this Commission a schedule embracing the rates herein authorized.

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, this 17th day of September,
1915.

Wm. J. Thibault
H. D. Loveland

Edwin O. Edgerton
Francis R. DeLuna
COMMISSIONERS.