

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of)
Hawthorne Electric and Water Company) Application No. 5.
for the establishing of rates.)

Frank J. Thomas for applicant.

Chas. M. Ackerman for consumers.

O P I N I O N

By the Commission.

This is an application by the Hawthorne Electric and Water Company for an order fixing rates to be charged by applicant for the sale and delivery of water.

Applicant was incorporated in July, 1909, and therefore the water producing and delivering plant was operated by the same people who later incorporated this company.

These same people also organized the Hawthorne Improvement Company which was a land company and other corporations for the purpose of manufacturing, etc. Apparently the promoters' primary consideration was the sale of land, and in order to promote this, water was produced and delivered upon the land. As an evidence of this, attention is called to the fact that for the first three years, from 1907 water was furnished from this plant free to all consumers.

In 1910 a flat rate of \$1.00 was established and this rate prevailed to January, 1912. Under this rate the consumer was allowed to use an unrestricted amount of water and no attempt was made during this period to cut down or regulate the amount of water used. In January, 1912, a portion of the services were metered and a quantity charge made under the rates now in existence.

Much testimony and other evidence was introduced at the

hearing to establish the physical value of this property and the applicant, through its engineer, set out at length its theory of the basis on which a value should be placed on its pumped water. Applicant pumps all of its water from wells sunk in land which it owns and the market value of which land, determined by comparing it with surrounding lands, is included in the plant value, and it is in addition to this that applicant demands that a value be included, based upon its pumped water.

Applicants confess in their application that to fix rates which would return a reasonable amount on what they claim to be their investment in this water plant, would result in a prohibitive rate such as the present consumer could not afford to pay because of the fact that the consumers are small in number compared to the ability of the plant to furnish water. Here then we have what in effect amounts to a statement by applicant that some other basis must be used in fixing rates than a reasonable percentage on physical values, unless the applicant has in mind the rule that when a plant is constructed of a magnitude greater than the needs of its consumers require, such consumers should not be called upon to provide a revenue through rates on such excessive construction.

We do not believe it necessary in determining this matter to go extensively into the question of physical values presented by the applicant which are by admission greater than the patrons of this system can be required to yield a return upon. In fact were we to fix rates as asked by applicant, there is grave question whether anything like the present quantity of water would be consumed, and it might easily be that the consumption of water would be so largely reduced as to result in a serious loss of revenue to applicant.

Experience has shown that where there is any necessity of conserving water, the flat rate, by which in return for a

fixed sum per month, the water consumer is allowed to use any amount of water he sees fit, results not only in a waste of water but in discrimination, because notwithstanding however careful and considerate the prudent consumer may be in the use of water, he has no advantage over the user who willfully or carelessly wastes it. Furthermore, the flat rate offers no opportunity to distribute the burden of cost upon a fair basis of quantity of service furnished the consumer, because within the limit of the flat rate the smallest consumer pays as much as the largest. This principle must not be carried to the extent of preventing the establishment of a fair minimum charge, for this latter is based on the necessity of compelling each consumer to bear some part of the burden of furnishing the utility. Hence we wish to encourage the use of meters, or the measured service, in the more arid section of the State, and while it might not be practicable in this case to order applicant to at once install meters on all of its service, we believe that this should be done as rapidly as possible, and furthermore, until this is done, any flat rate should be on such a basis as to insure that the wasteful user will pay a reasonable proportion of the cost of the service furnished him. A comparatively heavy charge for an unlimited supply of water will not injure the careful small user, as he can resort to the meter rate. Furthermore, we believe that the water company should install meters at its own cost, as meters are properly a part of the plant and there is no more reason for compelling a consumer to pay the purchase price and the cost of installing a meter than there is to force him to purchase a pump or an engine or any other part of the plant. For the same reasons we believe that the water company should make all service connections at its own cost.

It may appear that the rates fixed in the following order are somewhat higher than the rates charged by other

companies in the County of Los Angeles, but it should be remembered that the fixing of a uniform rate for all utilities in each class might work gross injustice because of greatly varying conditions as between the operations of one company and another. In this case we are not considering the conditions of other water companies but are passing only on those of the company before us.

Having given careful consideration to all of the factors presented as aiding to a conclusion of what just and proper rates should be, we find that the rates set out in the following order are just and reasonable rates.

X
ORDER

Hawthorne Electric and Water Company having filed with this Commission an application to establish rates for water furnished its customers and consumers, and said application having been set for hearing and notice of said hearing having been published by direction of this Commission, and a public hearing having been held on said application in the City of Los Angeles, County of Los Angeles, and being fully informed in the premises,

IT IS HEREBY FOUND AS A FACT that the following rates are reasonable to be charged by said Hawthorne Electric and Water Company for water delivered to its consumers, and the said rates are hereby established to become effective on the 1st day of January, 1913:

Meter Rates:

Minimum charge 750 cubic feet or less	\$1.25 per month for
Next 750 cubic feet, per 100 cubic ft.	.12 $\frac{1}{2}$ " "
Over 1500 cubic feet, " " " "	.10 " "
Flat Rate	1.50 " "

It is further ordered that meters be placed at the request of the consumer or at the option of the company, and that such meters

and their placement be at the expense of the company, all service connections to be made at the expense of the company.

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 6th day of December, 1912.

John W. Cushman
W. H. Howard
Alex Gordon
Edwin O. Edgerton

Commissioners.