

ORIGINAL
Decision No. 665

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of)
Conservative Realty Company, a cor-)
poration, for an order fixing its) Application No. 494
rates for water service in the)
County of Los Angeles.)

Jones and Bennett for applicant.
F. B. Amend for protestants.

ESEBEMAN, Commissioner.

O P I N I O N

This is an application on the part of the Conservative Realty Company, a land and water corporation, operating in the County of Los Angeles, to have established for it a rate of 15 cents per thousand gallons, with a minimum rate of \$1.25 per month for water delivered to its consumers in unincorporated territory. This company furnishes about 600 consumers, slightly over half of whom are in unincorporated territory and the remainder in the City of Watts.

The company was originally organized to conduct a subdivision real estate business. Later it organized a water department in connection with the development of its subdivisions. Subsequently, this water system was gradually extended to outside territory not owned or controlled by the applicant.

Thereafter a part of the territory was incorporated into the City of Watts and the Board of Trustees in that city has fixed a rate of 15 cents per thousand gallons with a minimum monthly rate of \$1.25 per consumer.

The company has an authorized stock issue of \$100,000.

all of which is outstanding, and with the exception of two shares owned by W. W. Pedder, it has no bonded indebtedness or other outstanding obligations.

In the year 1912, its total receipts were \$10,889.36, while its operating expenses were \$9,565.88, leaving a net operating revenue of \$1,323.48.

It is urged by the consumers, however, that part of this operating expense is properly chargeable to the land business of the company. The company has outstanding so-called water contracts, usually in form as follows:

Original Capital Stock \$100,000
Contract No. _____ \$10.00 _____

C O N S E R V A T I V E R E A L T Y C O M P A N Y

(Incorporated under the laws of the
State of California.)

Made and entered into at the City of Los Angeles,
THIS AGREEMENT, State of California, this _____ day of _____, A.D.

_____, by and between the CONSERVATIVE REALTY COMPANY, a corporation, with its principal place of business in the City of Los Angeles, said County and State, the party of the first part, and _____, the party of the second part,

Witnesseth, That for and in consideration of the sum of _____ Dollars (\$ _____)
Two and 50/100.

and a further sum of \$2.50 per month for a term of three (3) months, and the performance of the covenants contained herein on the part of the party of the second part, and in the manner hereinafter stated, said party of the first part will furnish and deliver to lot No. _____ in block _____, of the _____ as per map recorded in Book _____ page _____, Records of Los Angeles County, water upon completion of water plant and distributing system and payment by party of the second part of \$5.00 for tapping main and conducting water pipes to the before described property and subject to the following conditions: the cost of the water not to exceed \$1.00 per month, which sum the party of the second part agrees to pay in advance to the party of the first part, at the home office of the above named corporation in the city of Los Angeles, or its agent, and also agrees to the following contract, the terms and conditions of which are as follows:

In consideration of the delivery of water to me by the above named corporation, I hereby agree that I will not use the water for watering streets, and further, that I will not water my lawns, trees, flowers or plants, except between the hours of 6 and 9 A.M. and 5 and 8 P.M., without the consent of the said first party or its agent, or use water outside the enclosure or off the premises, for which payment is hereby made, or allow the same to be used or to run to waste, either inside

or outside of my premises.

It is also further agreed that it shall be the privilege of either of the parties hereto to ask that a meter be put in to measure the water used by the consumer, the conditions of which shall be as follows:

The consumer shall put up a deposit of \$8.00 with the Corporation as a guarantee of good faith, which amount shall be refunded to the consumer at any time said consumer may wish to discontinue using the water. The corporation hereby agrees to put in meter and furnish unlimited amount of water at the rate of fifteen cents per thousand gallons; provided, however, that the minimum charge for each family shall in no case be less than seventy-five cents per month.

If this contract is violated the Corporation shall have the right to cut off the water supply.

And it is agreed by and between the parties hereto that time, punctuality and manner of payment of the above named sums, is made the essence of this agreement, and that if any sum shall become due and unpaid, or if default shall be made in any of the covenants herein contained, then the rights and benefits arising out of this contract which inure to the said party of the second part, shall be forfeited, as well as all moneys paid under this agreement to the said party of the first part.

And it is further agreed that if said party of the second part shall well and truly pay all the above named sums and perform all of the covenants herein contained on _____ part, then the said party of the first part shall and will accept the attached coupons at the face value of one dollar each for water supplied to the within described property.

And it is further agreed that if the party of the first part can cancel this agreement at any time before the completion of the before mentioned water plant and distributing system, by refunding all money paid on this agreement. Provided further that should the said water plant and distributing system be erected and completed, that this document annuls and cancels all former water agreements by and between said parties.

This contract is assignable upon the following conditions, viz: That the assignee shall give the above named corporation notice of such assignment that it may be registered on the books of said corporation, and shall pay said corporation a fee of fifty cents, for such registration.

And it is further agreed by and between the parties hereto that this agreement does and shall bind their heirs, executors, administrators, assigns and successors.

(Corporate
Seal)

IN WITNESS WHEREOF, The said party of the first part, by resolution of its Board of Directors, has caused these presents to be subscribed by its President and Secretary, and its corporate seal to be hereunto affixed, and the party of the second part has hereunto set _____ hand and seal the day and year first above written.

CONSERVATIVE REALTY COMPANY

By _____ President.

Attest _____ Secretary.

_____ Seal.

The chief contention of the consumers is that the company by entering into contracts in this form has obligated itself to deliver water at a flat rate of \$1.00 per month per consumer, holding such contracts. We have already expressed our opinion with reference to the effect of contracts made by a public utility with its patrons in Application No. 118, and while there is no doubt that as against the Commission's power to fix rates the contracts involved in this case would have no effect, yet such contracts when voluntarily entered into may be taken by the Commission as the measure of the rate to be fixed, and as an admission on the part of the company that such rate is fair to it. In application No. 118, the Commission said in this regard:

"Before leaving this subject, however, I think it well to say that contracts entered into in good faith between public utilities and their patrons that are not forced or compelled in any way, and are based upon an adequate consideration should be adopted so far as is consistent with adequate regulation as the basis for the rates for the service performed by a public utility for its patrons."

The Commission is being flooded with applications on the part of land and water companies to repudiate the contracts entered into by such companies with their consumers when it is found that the contracts do not operate advantageously to the utility. But we have cases before us where the utilities just as strenuously urge that such contracts be kept in effect when it happens that they are favorable to the utility. With this attitude on the part of the utility I have very little patience, and I would have no more patience with the attitude of the consumers when they voluntarily and freely enter into contracts if such consumers should seek to get rid of them, and it is only when the public interest demands it or the contracts are manifestly unfair that I think this Commission should exercise its authority to substitute some other rate for the rate set up in such contracts. The man of ordinary business honesty tries to carry out his con-

tracts, even when he finds that they are disadvantageous to him just as he expects those contracting with him to recognize their own obligations.

Nothing has been brought to my attention in this case which leads me to believe that either of the two conditions set out above which will be held by this Commission as justification for substituting a new rate for a rate set out in a contract exists with reference to the applicant, and I recommend that the applicant be required to furnish water to its consumers under the jurisdiction of this Commission at 15 cents per thousand gallons, if the service be metered, with a minimum charge of \$1.00 per month per consumer. In prescribing this rate I have adopted the highest minimum charge set out in the contract and the charge agreed upon per thousand gallons if the water is metered. Under the terms of the contract either party may have a meter put in, but all meters hereafter put in voluntarily by the applicant, shall be put in at the expense of said applicant.

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 advised in the premises,

I HEREBY FIND AS A FACT that under all the circumstances of this case, that a rate of 15 cents per thousand gallons with a minimum charge of \$1.00 per month per consumer is a just and reasonable charge to be exacted by the applicant, Conservative Realty Company, and basing this order on the foregoing finding of fact and the findings of fact in the opinion hereto,

IT IS HEREBY ORDERED:

1. That the rate of 15 cents per thousand gallons with a minimum charge per consumer of \$1.00 per month be and the same is hereby established as a just and reasonable rate to be charged by Conservative Realty Company to its consumers in unincorporated territory in the County of Los Angeles.

2. Meters to be put in at the request of either party but all meters put in voluntarily by the Conservative Realty Company shall be paid for by said Conservative Realty Company.

3. This order to take effect and be in force on and after the 1st day of June, 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 9th day of May, 1913.

John M. Eckel
A. S. ...
...

Commissioners.