

Decision No. 14181.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
BOOK INVESTMENT COMPANY, ) Application No. 10291.  
a corporation, for increasing water )  
rates. )

W. C. Wright, for applicant.  
Ben F. Steed, for protestants.  
Charles J. Young, in propria persona.  
V. E. Greer, in propria persona.

WEITHESEY, Commissioner:

O P I N I O N

In this proceeding Book Investment Company, a corporation engaged in the business of selling water for domestic purposes to consumers in a small subdivision in the City of Sacramento, known as Wright and Kimbrough Tract 21, asks authority to increase rates or to discontinue service. The application alleges that the company has operated the water system at a loss since its installation.

A hearing in this proceeding was held in Sacramento after all the consumers had been duly notified and given an opportunity to appear and be heard.

The evidence shows that this system was installed in 1909 in connection with a subdivision which was located outside of the city limits of Sacramento, and which had no other source of supply. The plant consisted originally of a well, pumping plant, tank, and a distribution system of 6 and 3 inch mains, and about 100 consumers were served. In 1913 the City of Sacramento annexed an area including the tract and extended its municipi-

pally owned water system to serve the newly acquired territory. This action resulted in paralleling the company's pipes with 4 and 6 inch mains. Due to the superior service that was rendered by the City's system, many of applicant's consumers transferred to the municipal plant, and such transfers have continued until at this time only about 30 consumers remain on applicant's system.

The evidence further shows that in 1916 it became necessary to remove the tank, due to a failure of some of the timbers in the tower. A connection was then made with the City's system and water was purchased at the retail rate and distributed through applicant's mains to the consumers at the same charge. The system has been operated in this manner since that time.

W. C. Wright, representing applicant, testified that the investment in the plant is \$5,277; that the maintenance and operating expenditures for 1923 were \$702 and the revenues for that year were \$589. This resulted in a deficit of \$113 without considering any return on the investment or the fact that only \$298 of the total revenues were actually collected.

Several residents of the tract appeared at the hearing and protested against applicant's proposal to discontinue service. They contended that the water system belonged to the consumers; that the cost of services had been included in the purchase price of the various lots; and that they would be damaged by being required to pay to the City the cost of a new service connection if applicant were permitted to discontinue service.

No showing was made that the consumers owned any part of the water system, and it appears that this contention was based on the sales agents' statements that the premises were complete as to water, gas, sewer and pavements, and that no other expenditure for these items would be required.

William Stava, one of the Commission's hydraulic engineers, presented a report showing an estimated original cost of the operative property amounting to \$3,975, with a reasonable depreciation annuity computed by the six per cent. sinking fund method of \$94. The report further showed a loss from operation of \$445 for the year 1925, after allowing a return of six per cent. on the investment in operative property, and the sum of \$113 for the expense of billing and collecting, together with the actual cost of water purchased as the only operating expenses. It was further shown that it would be necessary to more than double the existing rates to the present consumers if applicant is required to continue the operation of the system.

A careful consideration of the evidence submitted in this proceeding indicates that a duplication in facilities and service exists in the area served by applicant, and that it would be uneconomical and unreasonable to require the continuation of water service.

The following form of order is recommended:

### O R D E R

Book Investment Company, a corporation, having made application for authority to increase the rates or to abandon service to its consumers located on a subdivision in the City of Sacramento, known as Wright and Kimbrough Tract 21, a public hearing having been held thereon, the matter having been submitted, and the Commission being now fully informed in the premises,

It Is Hereby Found as a Fact that public convenience and necessity do not require the continued operation of the water system owned by Book Investment Company, a corporation, in the territory described in the preceding paragraph.

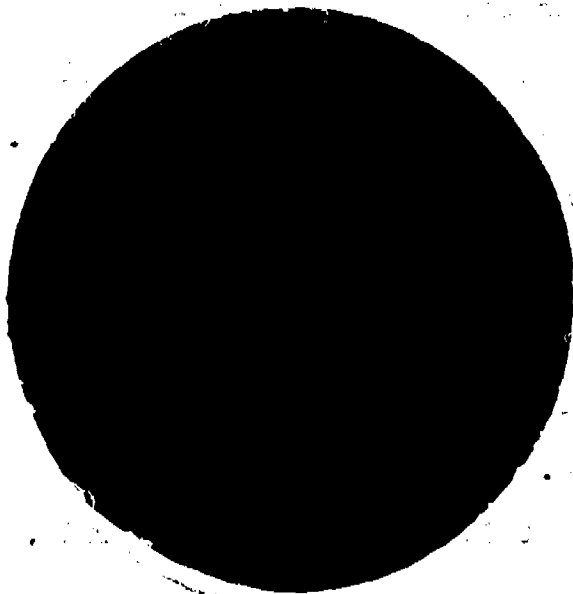
Basing the order upon the foregoing finding of fact and upon the statement of fact contained in the preceding opinion,



*CORRECTION*

# CORRECTION

THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY



IT IS HEREBY ORDERED that Book Investment Company be and it is hereby authorized to discontinue the service of water to consumers in the Wright and Kimbrough Tract 21 in the City of Sacramento on December 1, 1924.

IT IS HEREBY FURTHER ORDERED that within ten (10) days from the date of this order applicant notify each and every consumer, in writing, of its intention to discontinue service on December 1, 1924, and that within fifteen (15) days of the date of this order it furnish to the Commission an affidavit setting forth the fact that each consumer affected by this order was duly notified of such intention to discontinue service.

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.

The effective date of this order is hereby fixed as December 1, 1924.

Dated at San Francisco, California, this 18<sup>th</sup> day of October, 1924:

*C. L. Bennett*

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*Egerton Shore*

*J. I. Whitting*  
Commissioners.