

Decision No. 33576

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 THE FOUR TRACTS WATER CORPORATION  
 for certificate of public convenience  
 and necessity to operate a public  
 utility water system.

Application No. 23531

Claude M. Davis, for Applicant.

Fred H. Uehling, for F. H. Uehling  
 Water System, Protestant.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

The Four Tracts Water Corporation, a corporation, engaged in the business of furnishing water for domestic purposes in Tracts Nos. 6307, 6743, 7003 and 7240, Los Angeles County, lying partly within and in part easterly of and adjoining the City of Compton, asks for a certificate of public convenience and necessity to operate its water system as a public utility. The Commission also is asked to establish rates for the service to be rendered.

A public hearing in this matter was held before Examiner Stava at Los Angeles.

The evidence shows that the water system originally was installed about 1923 by Dan Gilkey and Leeston-Smith, realtors and subdividers who operated the system until 1929, supplying water free for a considerable period of time. These operators entered into various verbal agreements with purchasers of their property, promising to pass title to the water works free and clear of all

encumbrances to the lot owners for operation as a mutual water association or corporation whenever a sufficient number of lots had been sold. On May 25, 1928, Dan Gilkey offered the system to the property owners for the sum of \$1, 157, claimed to be the out-of-pocket costs of past maintenance for the system. The offer was refused. Again on May 9, 1929, Gilkey repeated his offer asking \$1,513, which, he alleged, was the cost of past maintenance from January 1, 1924, to April 30, 1929. The value of the fixed capital installed as of this latter date in 1929 was in the neighborhood of \$17,000. This second offer likewise was refused by the property owners who then became active in determining ways and means of obtaining adequate water service from other sources. Prior to formation of The Four Tracts Water Corporation, Gilkey became bankrupt and two residents of the community secured the water system. Thereafter, the water properties were acquired by applicant corporation, which had been organized in 1930 for the purpose of rendering water service in the four tracts mentioned.

The original intention was to operate as a "mutual" water company. The Corporation sought and obtained authority from the Commissioner of Corporations for the issuance of 3,000 shares of stock of no par value, of which 649 shares have been issued and of these, 549 shares are now outstanding. While the plan was to limit the sale of stock to property owners in the tracts, only a small minority of the owners co-operated by purchasing stock. Nevertheless, water service was rendered to all who applied, whether shareholders or not, at the same rates. The Corporation now desires to operate under a certificate of public convenience and necessity. (1)

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(1) Section 52 of the Public Utilities Act confers upon the Railroad Commission jurisdiction over the issuance of stock by public utilities. Applicant may not, therefore, issue any additional stock without permission from the Commission.

The water supply is obtained from two wells, each 12 inches in diameter, one being 156 feet deep and the other 206 feet deep. Each well is equipped with a turbine pump driven by a 15 horsepower electric motor. Water is stored in an elevated tank of 6,800 gallon capacity. There are 17,000 feet of distribution mains ranging from 2 to 10 inches in diameter and 225 service connections, of which 206 are active.

The water charge since September 6, 1932, is a monthly flat rate of \$1.75, providing a discount of 25 cents if paid on or before the 15th of the month. From the evidence, it appears that the lot sizes in the different tracts vary from less than one-quarter ( $\frac{1}{4}$ ) acre to approximately one-half ( $\frac{1}{2}$ ) acre and that some owners have constructed as many as five separate residences on a half-acre lot. Applicant has attempted to adapt its rate schedule to meet these varying conditions and requests that the Commission establish both flat and metered rates for the different classes of service being rendered. This is necessary and essential and will be provided for in the Order following this Opinion.

Mr. Fred Uehling, doing business under the fictitious firm name and style of F. H. Uehling Water System, was granted authority by this Commission in its Decision No. 24177, dated November 2, 1931, (36 C.R.C. 742), to serve water as a public utility within a certain territory which included therein the four tracts sought to be served by applicant herein. The Four Tracts Water Corporation at that time was conducting its water business presumably as a mutual enterprise. Mr. Uehling entered a protest in this proceeding against the granting of a certificate of public convenience and necessity which would include Tract 9390, a re-subdivision of a portion of Tract 5743, and Tract 9420,

a re-subdivision of a portion of Tract 7240, both original Tract 6743 and Tract 7240 in their entirety being included in the instant proceeding in the request by applicant for certification. This protest was based upon the grounds that the Uehling Water System was already serving all consumers in the said Tract 9420 and all but one consumer in said Tract 9390, and that Mr. Uehling or members of his family now own 17 of the 22 lots comprising these two tracts. Mr. Uehling did not otherwise protest against the granting of the application herein and his requests in regard to Tracts 9390 and 9420 will be recognized by excluding them from the area of service hereinafter granted to applicant.

At the hearing, a report was submitted by E. L. Clark, one of the Commission's hydraulic engineers, showing an appraisal of the used and useful property on the basis of the estimated original cost at \$19,423 as of September 25, 1940. The corresponding depreciation annuity computed by the sinking fund method at 5% is \$380. The report also contains an estimate of reasonable and proper annual maintenance and operation expense for the immediate future amounting to \$2,963, including depreciation. The estimated annual operating revenue, based on a flat rate of \$1.50 per month per service connection, is \$3,906. The estimated net revenue of \$943 will return approximately 5% on the operative fixed capital.

The flat and metered rate schedules hereinafter established are designed to be just and reasonable charges for the different classes of service to be rendered and should yield a reasonable net return on the investment. There being no data available on actual use of water in the past operations by applicant, the metered rates have been fixed through comparison of

similar water use and measured rate schedules now in effect on other public utility water systems operating in the immediate vicinity and under similar conditions.

From the evidence submitted, it appears that The Four Tracts Water Corporation is willing and able to make additions and improvements as needed. Said corporation has agreed to install immediate improvements to provide and insure an increased pressure throughout the entire distribution system. There is at present no other source in the area, which will be certificated, from which residents therein may obtain an adequate public water supply. The record indicates that it is for the best interests of the public at this time that a certificate be granted to applicant to serve water as a public utility within the area as more particularly described in the following Order.

O R D E R

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted and the Commission being now fully advised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby declares that public convenience and necessity require the operation of a water system by The Four Tracts Water Corporation, a corporation, within that territory east of Compton, Los Angeles County, more particularly described as follows:

Tract No. 6307; Tract No. 6743, excepting that portion which has been re-subdivided and designated as Tract No. 9390; Tract No. 7003; Tract No. 7240, excepting that portion which has been re-subdivided and designated as Tract No. 9420; and that triangular piece of land lying south of Compton Boulevard, bounded on the west

by Gibson Street, on the east by the west levee of the Los Angeles River Flood Control channel; the territory comprising a total of 115 acres more or less.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it is hereby granted to The Four Tracts Water Corporation to operate a public utility for the sale and distribution of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that The Four Tracts Water Corporation, a corporation, be and it is hereby authorized and directed to file with this Commission, within thirty (30) days from the date of this Order, the following schedule of rates to be charged for all water service rendered to its consumers subsequent to the 30<sup>th</sup> day of November, 1940, which schedule of rates is hereby found to be just and reasonable for the service to be rendered:

RATE SCHEDULE

FLAT RATES

<u>Classification</u>	<u>Per Month</u>
One residence on one lot comprising one-quarter acre or less .....	\$1.50
For each additional residence .....	1.00
For each additional quarter acre or fraction thereof .....	1.00
Auto courts and other types of service will be charged at regular meter rates.	

METER RATES

Monthly Minimum Charges

5/8 x 3/4 inch meter .....	\$1.50
3/4 " " .....	2.00
1 " " .....	2.50
2 " " .....	3.00
3 " " .....	5.00

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following monthly quantity rates:

Monthly Quantity Rates:

First 1,000 cubic feet .....	\$1.50
All over 1,000 cubic feet, per 100 cu. ft. ..	.10

A meter may be installed on any service at the option of either the consumer or the utility.

IT IS HEREBY FURTHER ORDERED that The Four Tracts Corporation be and it is hereby directed as follows:

1. Within thirty (30) days from the date of this Order, to submit to this Commission for its approval, quadruplicate sets of rules and regulations governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet approximately 8 1/2 x 11 inches in size, delineating thereupon in distinctive markings the boundaries of the authorized service area; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
2. Within sixty (60) days from the date of this Order, to file with this Commission four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, upon which shall be delineated correctly by appropriate markings the various tracts of land in the territory for which the certificate is granted herein. This map should be reasonably accurate, show the source and date thereof, and sufficient data to determine clearly and definitely the location of the various properties comprising the entire utility area of service.

3. Within sixty (60) days from the date of this Order, to file with this Commission an affidavit to the effect that it will never claim before this Commission or any other public body an amount for the certificate of public convenience and necessity granted herein in excess of the actual cost of acquisition.

For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 19<sup>th</sup> day of November, 1940.

Ray & Ricey  
James B. Wilson  
Frank H. Hubert  
H. K. Hall  
Justus F. Craven  
Commissioners.