

ORIGINAL

Decision No. 45112

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

APPLICATION OF E. B. HICKS AND ELLA HICKS To sell water for domestic use.

Application No. 31534

E. B. Hicks, as applicant; Mrs. J. S. Scroggins, interested party; Ray LaVallee, for Kern County Health Department, interested party; L. B. Kinslow, interested party.

O P I N I O N

E. B. Hicks and Ella Hicks, in the above-entitled application filed June 26, 1950, asks the Commission for an order granting a certificate to operate a public utility water system in Tract No. 1348 and Tract No. 1449 in Kern County, California, said tracts being, respectively, approximately 6 miles southeast and 5 miles south of Bakersfield; and to charge the rates set forth in said application.

A public hearing in this proceeding was held before Examiner Emerson at Bakersfield on November 2, 1950. At this hearing, applicants amended the application by enlarging the requested service area for Tract No. 1348 so as to include customers presently served outside of, but contiguous to, the tract boundaries.

Tract No. 1348, an area of about 20 acres, was subdivided into 98 lots by applicants in 1946. On lot No. 98 applicants drilled a 150-foot well, installed a pump driven by a 5 horsepower electric motor, and placed a 500-gallon pressure tank. From such lot, 4-inch mains run south in the rear easement between Betty and Nadeau Streets to Encino Street, westerly approximately 340 feet, and thence southerly in the easement between Lowry and Betty Streets to lot No. 41.

A 3-inch main extends from lot No. 41 south to Encino Street. Applicants now serve 80 customers from mains which extend throughout the entire tract.

Tract No. 1449 was also developed by applicants and contains 16 lots, 12 of which presently receive water service. On the westerly 40 feet of lot No. 1, applicants have a 300-foot well, a deep-well pump driven by a 15 horsepower electric motor, and a 2,000-gallon pressure tank. Distribution mains which serve the entire tract consist of 3-inch pipes laid in Doney Street and in the alley west of the Weedpatch Highway.

Applicants have financed the water systems from their real estate and rental operations, and it appears that they are financially able to provide adequately for public utility water operations in the areas requested to be certificated. As of November 1, 1950, the fixed capital charges for the systems appear to be \$6,000 and \$8,000 for Tracts Nos. 1348 and 1449, respectively, which sums were termed proper and reasonable by an engineer of the Commission staff who inspected the properties. On a straight-line basis, a depreciation reserve requirement, for the total fixed capital of \$14,000, would be \$748.

The rates proposed by applicants consist of a flat rate of \$3 per month and a metered rate with a minimum monthly charge of \$2.40 and quantity blocks varying from 30 cents to 20 cents per 100 cubic feet. It is of record that, prior to filing this application, certain rental houses of applicants were not separately charged for water service, that two residences on the land before it was subdivided have been charged \$2 monthly, and that a trailer court has been charged \$25 per month when the court contained 20 or fewer trailers and \$1.50 per trailer per month when the court contained more than 20 trailers. Apparently, all other customers have been charged a flat rate of \$3 per month. A considerable number of

customers have failed to pay their water bills.. Such varying charges and the supplying of free water to a certain limited group of customers cannot be recognized as proper. The books of the water system must reflect proper revenues for all water service rendered. The payment of just charges may be protected by requiring deposits or other means of establishing credit before service is rendered, or by the payment of flat rate charges monthly in advance.

Based upon the rates requested by applicant and assuming an average of 90 customers on flat rates, an estimated annual revenue of \$3,240 is indicated. Annual expenses, including depreciation and taxes, are estimated to be \$2,100, thereby leaving a net revenue of \$1,140 under normal operations. Such net revenue, when applied to the depreciated fixed capital base, indicates a rate of return of 8.6%. Such a return, in this instance, is excessive. The rates to be authorized herein will provide an estimated rate of return of slightly more than 5%.

A representative of the Kern County Health Department testified that the records of said department showed that water supplied by applicants was acceptable as to quality, but that numerous complaints had been received from residents of Tract No. 1348 relative to turbidity and low pressure. Concern, from the public health standpoint, was expressed over the relatively small water storage capacity available in the tract. It was declared that during the hot summer months customers are unable to take showers because of lack of water, and it was the recommendation of the health department's witness that a 3,000-gallon tank be installed. The Commission's engineer concurred in the recommendation. We believe such recommendation has merit and that applicants should take appropriate steps to ensure that their customers have an ample supply of water available under all conditions of usage which can be anticipated in the area.

No other public utility water system operates in or adjacent to the areas asked to be certificated, and no protests or objections

have been made relative thereto. Under the circumstances, it appears that public convenience and necessity require and will require that applicants be granted a certificate as requested. The certificate of public convenience and necessity herein issued is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require and will require the construction and operation of a public utility water system by E. B. Hicks and Ella Hicks in Tract No. 1348 and Tract No. 1449, Kern County, California; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted E. B. Hicks and Ella Hicks to construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that applicants shall:

1. File the rates set forth in Exhibit A attached to this order, to be effective January 1, 1951, together with rules and regulations and tariff service area map, acceptable to this Commission, in accordance with the requirements of General Order No. 96.
2. File within sixty (60) days after the date of this order, four copies of a comprehensive map, drawn to an indicated scale of 400 feet to the inch, delineating by appropriate markings the land and territory served and the location of the various properties of applicants.

The authorization herein granted will lapse if not exercised within one (1) year from the date hereof.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 12th day of December, 1950.

R. E. [Signature]
James D. [Signature]
Leah [Signature]
Harold P. [Signature]
[Signature]
Commissioners.

Schedule No. 1

FLAT RATES

APPLICABILITY

Applicable to all water service rendered on a flat rate basis.

TERRITORY

Within and in the areas immediately adjacent to the unincorporated territories known as Tract No. 1348 and Tract No. 1449, Kern County, California.

RATES

	<u>Per Month</u>
1. For one dwelling, house or single unit on a single lot	\$ 2.50
2. For each additional dwelling, house or single unit on a single lot, taking service through the same connection	1.50
3. For each cafe, service station, restaurant, laundry, or business using large quantities of water.	4.50
4. For each office, store or shop not included in Item No. 3.	2.50
5. For each first unit of a hotel, motel, auto court or trailer court including the office and utility rooms	3.00
6. For each additional unit in Item No. 5	1.25
7. For irrigation of grounds planted in lawns, gardens, shrubbery or trees, per 100 square feet of irrigated area	0.05

SPECIAL CONDITIONS

1. Charges for flat rate service are payable in advance.
2. Meters may be installed at the option of the utility or the customer, in which event service thereafter will be rendered only on the basis of Schedule No. 2, General Metered Service.

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within and in the areas immediately adjacent to the unincorporated territories known as Tract No. 1348 and Tract No. 1449, Kern County, California.

RATES

Quantity Charge:	<u>Per Meter Per Month</u>
First 800 cubic feet per month, or less	\$ 2.25
Next 1,200 cubic feet per month, per 100 cu.ft.	0.25
Next 3,000 cubic feet per month, per 100 cu.ft.	0.20
Over 5,000 cubic feet per month, per 100 cu.ft.	0.15

Minimum Charge:

For 5/8 x 3/4-inch meter.	\$ 2.25
For 3/4-inch meter.	3.50
For 1-inch meter.	5.00
For 1 1/2-inch meter.	8.50

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.