

Decision No. 45999

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
L. H. and JANE PENIX, doing business )  
as Kettleman City Water System, for )  
an order approving an adjustment in ) Application No. 32034  
the water rates for the Kettleman )  
City Water System, Kings County, )  
California )

L. H. and Jane Penix, in propria persona;  
L. H. Thomsen, Supervisor, and Charles W.  
Jennings, Assistant District Attorney, for  
the Board of Supervisors of Kings County;  
C. E. Lindley, for Kings County Unit,  
Division of Forestry and Fire Control.

O P I N I O N

Applicants seek an increase in rates for water service rendered in the unincorporated town of Kettleman City, Kings County, in order to meet increased costs for labor and materials, for installation of new equipment, and for contemplated additions to capital. The application was submitted at a public hearing held May 31, 1951, before Examiner Gregory at Kettleman City.

The water system was constructed by a subdivider in 1929 and was acquired by the present owners in 1945 (Decision No. 38570, December 28, 1945, Application No. 27005). The supply is obtained from two wells of 10 and 12 inches in diameter and 235 and 390 feet deep. Both wells are equipped with deep-well turbine pumps directly connected to electric motors. The pumps have a combined capacity of about 400 gallons per minute. Water is pumped into a 42,000-gallon steel tank and into the distribution system which consists of approximately 15,500 feet of mains varying in size from 3/4 to 6 inches in diameter. The system

now serves about 100 metered users, including dwellings and commercial establishments, and also provides water for fire control through four hydrants. Applicants amended their pleading at the hearing to request establishment of a rate for fire hydrant service of \$2 per month per hydrant, which would permit one 15-minute fire drill per week using one hydrant discharging 250 gallons per minute through a 2-inch opening. The requested hydrant rate was opposed by the representatives of the Kings County Board of Supervisors because, they asserted, it was higher than the Avenal rate in the same county.<sup>1/</sup>

A report, inventory, and appraisal of the Kettleman City Water System, based on a field investigation, was submitted by an engineer of the Commission's Hydraulic Division. The estimated total capital investment, as of December 31, 1950, was \$21,667. As of May 8, 1951, due chiefly to replacement of about 1,500 feet of small distribution main with a 6-inch main early this year, the capital investment increased to \$26,336. The depreciation reserve requirement, calculated on a straight-line basis, was \$6,833 as of December 31, 1950, and was estimated at \$7,670 for December 31, 1951.<sup>2/</sup>

<sup>1/</sup> The record indicates that applicants have been negotiating with the Board of Supervisors concerning a rate for fire hydrant service, but that no agreement had been reached at the time of the hearing.

<sup>2/</sup> Several items properly chargeable to capital were found in the 1950 recorded expenses. These items were transferred to capital in the inventory.

The results of operation for 1950 as adjusted and as estimated for 1951 by the Commission's engineer are summarized in the following tabulation:

Item	1950 Adjusted		1951 Estimated	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Operating Revenues	\$ 4,178	\$ 5,085	\$ 4,350	\$ 5,295
Operating Expense	3,695	3,860	3,876	4,072
Net Operating Revenue	483	1,225	474	1,223
Rate Base - Depreciated	15,100	15,100	18,900	18,900
Rate of Return	3.20%	8.11%	2.51%	6.47%*

\* Net revenue of approximately \$76 annually for fire hydrant service, at the requested rate of \$2 per month per hydrant, would add only about 0.40% to the rate of return shown.

The Commission engineer's estimate of operating expense included \$150 per month for management and clerical salaries for Penix and his wife. No charge for these items appears in the accounting records maintained by applicants nor has Penix recorded any charge for his own labor in connection with the installation of new pipe and other items early in 1951. These and other deficiencies in applicants' accounting records have led us to consider the estimates made by the Commission's engineer as more truly reflecting the results to be anticipated under the requested rates. Applicants are advised that it is essential that they maintain proper and adequate accounting records in accordance with the requirements set forth in the uniform classification of accounts for water companies prescribed by this Commission.

Two consumers, present at the hearing, voiced objection to the proposed measured rate of 25 cents per 100 cubic feet for quantities in excess of the first 700 cubic feet of

water. They requested that a sliding scale of quantity charges be adopted instead. An analysis of the quantities of water used by metered consumers in 1950 indicates that, while about 90% used less than 2,500 cubic feet per month each, such use represented only about 60% of the total annual consumption. An adjustment in the proposed quantity charges, providing for a slightly lower rate for deliveries of 2,500 cubic feet or more, appears to be reasonable and will be included in the schedules following the order hereinafter to be made. Such an adjustment, in our opinion, will produce no more than a minor adverse effect upon the estimated gross revenues of this system and will still permit it to earn slightly in excess of a 6% return on a depreciated rate base of \$18,900. To the extent that the present rates differ from those hereinafter prescribed, said existing rates are hereby found to be unjust and unreasonable.

O R D E R

L. H. Penix and Jane Penix, doing business as Kettleman City Water System, having applied to this Commission for an order authorizing an increase in rates, 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 the increases in rates and charges herein authorized are justified; therefore,

IT IS HEREBY ORDERED that applicants be and they are authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedules of rates shown in Exhibit A, attached hereto, and, after not less than five (5) days' notice

EXHIBIT A  
Page 1 of 2

Schedule No. 1

METER RATES

APPLICABILITY

Applicable to all water service rendered on a measured basis.

TERRITORY

In and in the vicinity of the unincorporated Town of Kettleman City, Kings County.

RATES

Quantity Charge:	<u>Per Meter</u> <u>Per Month</u>
For the first 700 cubic feet of less . . . . .	\$ 3.00
For the next 1800 cubic feet - per 100 cubic feet .	.25
For over 2500 cubic feet - per 100 cubic feet .	.20
Minimum Charge:	
For 5/8 x 3/4-inch meter . . . . .	\$ 3.00
For 3/4-inch meter . . . . .	4.00
For 1-inch meter . . . . .	4.50
For 1 1/2-inch meter . . . . .	6.00
For 2-inch meter . . . . .	8.00

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

EXHIBIT A

Page 2 of 2

Schedule No. 2

FIRE HYDRANT RENTAL

APPLICABILITY

Applicable to all fire hydrants installed for public fire protection attached to the company's water mains.

TERRITORY

In and in the vicinity of the unincorporated Town of Kettleman City, Kings County.

RATES

	<u>Per Month</u>
For each hydrant .....	\$ 2.00

to the Commission and the public, to make said rates effective for service rendered on and after September 1, 1951; and to concurrently withdraw and cancel the existing flat rate schedule.

IT IS HEREBY FURTHER ORDERED that applicants shall file, within thirty (30) days after the effective date of this order, four sets of rules and regulations governing relations with their customers.

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

Dated at San Francisco, California, this 31<sup>st</sup> day of July, 1951.

R. T. Anderson  
James J. Cooney  
Harold Kula  
Francis Patten  
John E. Mitchell  
Commissioners