

Decision No. 46193

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
K. P. Tract Water Co. to operate a)
water system in Sacramento County and)
to establish rates accordingly.)

Application No. 32361
(Amended)

Jack M. King as applicant; Elizabeth Patterson,
applicant by Aletha L. King.

O P I N I O N

In this application filed May 5, 1951, and as amended July 23, 1951, Jack M. King and Elizabeth Patterson (K. P. Tract Water Company) ask for a certificate of public convenience and necessity to maintain and operate a public utility water system in Sacramento County approximately one mile south of the City of Sacramento and for the establishment of rates for the service to be rendered.

A public hearing in this matter was held before Examiner Emerson at Sacramento on August 30, 1951, at which time the matter was submitted for decision.

Applicants have subdivided a parcel of land known as the K. P. Tract into 21 lots, 12 of which are for residences, 8 for commercial enterprises and 1 used for water utility facilities. Lot 12 of said tract contains two 8-inch drilled wells, each about 110 feet deep, equipped with a 5 hp jet and a 3 hp turbine pump. The pumps deliver water into a 525-gallon pressure tank equipped to automatically maintain pressure between 35 psi and 70 psi. Water from the tank flows through a 120-gallon sand trap into a distribution system consisting of about 910 feet of 3-inch galvanized

pipe. Service connections are made to the service pipes of customers at the main. In other words, the company owns no service pipes. Three wharf-type fire hydrants, owned by the applicants, are situated along the main on Patterson Way.

Applicants have proposed the following rates:

Flat Rates

	<u>Per Month</u>
Residence	\$3.50
Motel, living quarters	3.00
Motel, per cabin	1.00

Meter Rates

	<u>Per Meter</u> <u>Per Month</u>
First 800 cubic feet, or less	\$2.50
Next 1,200 cubic feet per 100 cu.ft...	.20
Next 3,000 cubic feet per 100 cu.ft...	.15
Over 5,000 cubic feet per 100 cu.ft...	.10

The system now in place was commenced in 1945 when the first well was installed and two homes were served. In 1949, water was made available to other residents and applicants started charging for water service. At the present time 10 homes and a motel are served, for which applicants have charged flat rates of \$3 and \$10 per month, respectively. Although a meter rate is proposed, applicants intend to install meters only in the event that consumers waste water.

On the basis of the present flat rates, an annual revenue of \$482 would be realized from present consumers. If the tract were fully developed and each lot separately occupied, an annual revenue of \$888 might be obtained. During 1950, applicants collected \$405 in water revenues.

During 1950, applicants recorded \$529.87 as operating expenses, such sum including taxes and a depreciation expense calculated at 2% of the then total fixed capital. None of the recorded expenses covered any allowance or charges for

wages or other reimbursement for applicants' time or efforts in operating the system. No estimates of future operating expenses have been presented either by applicants or the Commission staff. However, considering past operations it is apparent that the future expenses necessary to a functioning of the system will approximate \$350 for pumping power, \$50 for taxes, \$15 for fire insurance, \$60 for repairs, \$180 for depreciation, and a minimum of \$120 for accounting and collection costs annually. With such expenses totaling \$775 annually, it seems obvious that this system, even when fully developed, will little more than meet its operating expenses. Applicants are aware of such situation.

The system has been financed by applicants on substantially a cash basis from funds obtained through the sale of lots. As of August 30, 1951, the fixed capital of the system totaled \$5,886.57, made up as follows:

<u>Ac.</u> <u>No.</u>	<u>Account</u>	<u>Amount</u>
C-1	Organization	\$ 50.00
C-5	Land	800.00
C-6	Buildings	435.00
C-10	Wells	914.19
C-14	Pumping Equipment	1,511.77
C-16	Purification Equipment	242.11
C-18	Distribution Mains	1,274.00
C-19	Tanks	611.50
C-20	Hydrants	48.00
		<hr/>
		5,886.57

The rates proposed by applicants were objected to by one of the five customers in attendance at the hearing, primarily on the grounds that the rates of other water utilities in the general area were lower than those proposed. However, evidence presented showed that billings for water service on two near-by systems are actually higher than those proposed by applicants. Irrespective of such comparisons, a utility may not be forced to operate at a loss. It is clearly evident that the proposed rates will yield

less than a 2% return, even with the tract fully developed. Applicants' proposed rates appear to be reasonable to the customers and will be authorized.

Applicant King testified that no franchise or other permit is required or can be obtained from the county for construction or operation of the system. Southern California Water Company holds a county franchise for a large area which includes that now being served by applicants and the county is unwilling to grant another franchise for applicants' area. It appears that the franchise held by Southern California Water Company does not obligate it to serve, that the system of said company is more than one mile distant from the K. P. Tract, and that said company has no intention or desire to extend its system to applicants' tract. Under these circumstances and in view of the record in this proceeding, 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 hereinafter 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 thereon 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 Jack M. King and Elizabeth Patterson (K. P. Tract Water Company) in Sacramento County, California, within the area designated K. P. Tract as delineated on the map attached to the application; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Jack M. King and Elizabeth Patterson to construct and operate a public utility water system, to be known as K. P. Tract Water Company, for the distribution and sale of water within the territory hereinabove described.

IT IS HEREBY FURTHER ORDERED that applicants shall:

1. File with this Commission, in quadruplicate and in conformity with General Order No. 96, the rates set forth in Exhibit A attached to this order, together with rules and regulations and tariff service area map acceptable to this Commission, to be effective on November 1, 1951.
2. File with this Commission, within forty (40) days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale of approximately 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicants.

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

Dated at Los Angeles, California, this 18th day of September, 1951.

R. J. [Signature]
President.
Justus F. Calver
Harold H. [Signature]
[Signature]
Commissioners.

EXHIBIT A
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Schedule No. 1

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmeasured water service.

TERRITORY

Within the K. P. Tract, Sacramento County, as delineated on the map included in the tariff sheets.

RATES

	<u>Per Month</u>
Domestic service, per connection	\$3.50
Commercial establishment, per connection	3.00
Motel living quarters	3.00
Motel, per rental unit	1.00

SPECIAL CONDITIONS

1. Charges are payable monthly in advance.
2. Meters may be installed at the option of the utility or the consumer, in which event service thereafter will be rendered only on the basis of Schedule No. 2, General Metered Service. A consumer's request for change from flat rate to metered service must be made in writing.

EXHIBIT A
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Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the K. P. Tract, Sacramento County, as delineated on the map included in the tariff sheets.

RATES

Quantity Charge:	Per Meter Per Month
First 800 cubic feet or less	\$2.50
Next 1,200 cubic feet, per 100 cubic feet20
Next 3,000 cubic feet, per 100 cubic feet15
Over 5,000 cubic feet, per 100 cubic feet10
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$2.50
For 3/4-inch meter	3.00
For 1-inch meter	4.50

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