

**ORIGINAL**Decision No. 53221

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 LUKINS BROTHERS WATER COMPANY, and )  
 GLENN J. LUKINS and MELVIN L. LUKINS )  
 owners of said LUKINS BROTHERS WATER ) Application No. 37221  
 COMPANY, to operate a water system ) (1st Supplemental)  
 in Hillcrest Meadows Subdivision, )  
 County of Sutter. )

Russell F. Milham, for applicants;  
N. Paul Hansen, for New Helvetia Terrace  
 Subdivision and self, interested party;  
John F. Donovan and W. B. Stradley, for  
 the Commission staff.

OPINION ON FIRST SUPPLEMENTAL APPLICATIONApplicants' Request

Glenn J. Lukins and Melvin L. Lukins, copartners, doing business as Lukins Brothers Water Company, on March 28, 1956 filed the above-entitled first supplemental application requesting a certificate of public convenience and necessity to construct and to operate a public utility water system in Hillcrest Meadows, a subdivision, located some 2 miles south and west of the center of Yuba City, in Sutter County, California, in a portion of Section 34, Township 15 North, Range 3 East, M.D.B. & M. Applicants refer to and incorporate in this first supplemental application a copy of a map of the subdivision which was attached to the original application.

Public Hearing

After due notice, public hearing on the original application was held before Examiner M. W. Edwards on October 11, 1955 at Yuba City. Testimony and supplementary facts regarding the original application were presented by one of the partners. Prior to the hearing the Commission staff had investigated the application and

discovered what it considered to be certain deficiencies in the application. These deficiencies were brought out by cross-examination of applicants' witness and the Commission subsequently, by Decision No. 52249, denied without prejudice the original application.

Deficiencies Corrected

In this first supplemental application the four deficiencies specifically enumerated in Decision No. 52249 in the original application have been corrected as follows:

1. The supplemental application has been drawn in accordance with the Commission's rules of procedure and now requests a certificate of public convenience and necessity which was not requested in the original application.

2. The revised agreement provides for repayment by applicants of the note in favor of the subdividers in the amount of \$11,173.42 in annual installments equal to 20 per cent of the gross revenues from the water system for a period not to exceed 20 years.

3. The applicants' equity in the system has been increased from less than 33 per cent to approximately 45 per cent.

4. A new agreement between the subdividers and the water system operators limits the repayment of the subdividers' advances to \$11,173.42 within a 20 year period, but the note does not necessarily require complete repayment within that time. This appears to be inconsistent with the agreement. While the new agreement did not specifically cancel the old agreement, because of our denial of the original application, it is presumed that the original agreement is superseded by the one attached to the first supplemental application.

Description of System

The source of water supply for the area, located on Lot 10, is an existing well, 12 inches in diameter, 150 feet deep, capable of

producing 700 gpm. A 5,000-gallon pressure tank will be installed at the well to maintain a minimum system pressure of 30 pounds per square inch as recommended by the Commission staff. The pipe to be installed in the subdivision will consist of 10-gauge steel pipe, tar dipped and wrapped, of the following approximate lengths and sizes:

1,000 feet of 8-inch  
2,600 feet of 6-inch  
500 feet of 4-inch  
750 feet of 1½-inch.

The 1½-inch pipe is for dual service connections from the various mains to the property lines of the 63 residential building lots in the subdivision. The mains will be located mostly in the streets of the subdivision and the plan calls for 7 fire hydrants to be attached thereto. The plan for the location of the mains and fire hydrants is shown on the map attached to the original application.

#### Financing of System

The owners of the subdivision, Richard W. and Eva V. Porter have expended \$14,173.42 toward the total cost of the water system but have voluntarily discounted this amount to \$11,173.42. The Lukins Brothers, who are installing the system, have advanced cash and labor to the point where their investment is \$6,507.85. This amount, together with the \$3,000 contribution from the subdividers, brings the water company's initial equity to approximately \$9,500 and the total estimated cost of the system to \$20,681.27. There will be no outside financing but the water company is required to pay off the advance of \$11,173.42 at the rate of 20 per cent of all revenue received from the water system for a period up to 20 years. The owners have waived requirements for payment of interest on the \$11,173.42 advanced.

Testimony by one of the partners as to how the applicants computed their original approximate \$6,500 cash and labor investment in the system may be summarized as follows:

Cost of lot	\$1,500.00
Pump house	2,500.00
Lawyer's fee	250.00
Trips to Yuba City	180.00
Application fee	50.00
Maps	27.85
Labor, admin- istration and expenses	2,000.00
Total	<u>6,507.85</u>

Proposed Rates for Service

Applicants propose a flat rate of \$5 per month and alternate meter rates with minimums of \$3.75 for 3/4-inch, \$4.75 for 1-inch and \$6 for 1 1/2-inch laterals. At the hearing applicant asked that the fire hydrant rate be set at \$2 per month. In support of its request for these rates applicants' witness testified to the approximate expenses of operation as follows:

	<u>Per Year</u>
Power cost	\$ 600
Part-time help	900
Upkeep	500
Depreciation	<u>1,000</u>
Total	3,000

Applicants' witness did not furnish an estimate of the taxes it will have to pay on this system but stated that applicants expect to earn 10 to 15 per cent.

Such rate of earning is considerably above that allowed to similarly situated utilities, up to 7 per cent for water, depending in part upon the cost of money to the utility. Applicants' estimate of maintenance appears high for a new system and the amount requested for depreciation appears to be about double a reasonable figure. After making these adjustments and allowing for taxes it is the Commission's conclusion that the proposed \$5 rate is too high and that it should be set at \$4.25 per month. Alternate meter rates with

minimums slightly different than those proposed will be authorized in order that the meter rates will be consistent with the flat rate being authorized.

#### Miscellaneous Items

Applicants state that there are no other public utility water systems available to supply water to the area; that the proposed system will not be competing with any existing water system; that no permits or franchises are necessary for the installation and construction of the water facilities; that the necessary public health certificate as to the purity of the water will be obtained as soon as the system is complete; and that a certificate from this Commission is necessary before a permit to sell the lots can be obtained from the Division of Real Estate of the State of California.

#### Findings and Conclusions

After considering this first supplemental application and testimony on the original application, it is concluded that the proposed water system is needed and is in the public interest. While applicants contend that no permits or franchises are needed, in order that the property on which the well is located be dedicated to water company operations, applicants will be required to file documentary evidence of reservation of the lot, and to file copies of pipeline easements where pipes are not located in the streets.

No opposition to the proposed water system or level of rates was manifested at the hearing, the objections by the staff being directed primarily at the original financing method. While the Commission would prefer that the operators' equity in the water system be greater than 45 per cent, in this instance we will not let this fact stand in the way of authorizing the construction.

The Commission finds that public convenience and necessity require the construction and operation of a public utility water system by Glenn J. Lukins and Melvin L. Lukins doing business as

Lukins Brothers Water Company in the Hillcrest Meadows subdivision, Sutter County, California.

The certificate of public convenience and necessity issued herein 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 a consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

The above-entitled first supplemental application having been considered, a public hearing having been held on the original application and the Commission being of the opinion that the first supplemental application should be granted and that further hearing is not necessary; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Glenn J. Lukins and Melvin L. Lukins, copartners doing business as Lukins Brothers Water Company, to construct and operate a public utility water system for distribution and sale of water in Hillcrest Meadows subdivision, located some 2 miles south and west of the center of Yuba City in Sutter County, California.

IT IS HEREBY FURTHER ORDERED as follows:

1. Applicants are authorized to file, after the effective date of this order, the rates set forth in Appendix A attached to this order to be effective on or before the date service is first rendered to the public and, concurrently with such filing, to revise such of its presently effective tariff schedules for its water system near Tahoe Valley, El Dorado County as are necessary to provide for the application of its rules in the area being certificated herein, together with a tariff area map of such newly certificated area, all in accordance with the procedure prescribed by General Order No. 96. Such rates, revised tariff sheets and tariff service area map shall become

effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

2. Applicants shall file within thirty days after the system is first placed in operation under the rates and rules authorized herein four copies of a comprehensive map drawn to an indicated scale not smaller than 100 feet to the inch delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicants herein being certificated.
3. Applicants shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.
4. Applicants shall base the accruals to depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicants shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.
5. If the authorization herein granted is exercised applicants shall procure and dedicate to water utility purposes the lot or area on which the well is located and easements or permits where pipeline mains are located in lots, other than in streets, and shall file, within thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such procurement, dedication, easement or permit.
6. Applicants shall not make extensions into territory lying outside of the boundaries hereinabove described without authority first having been obtained from this Commission.
7. Applicants may issue a note in the principal amount of not exceeding \$11,173.42 for the purposes specified herein and in accordance with the terms of the agreement attached to the first supplemental application, it being the opinion of the Commission that the money, property or labor to be procured or paid for by the issue of said note is reasonably required for said purposes, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

- 8. The authorization herein granted will expire if not exercised within one year after the date hereof.
- 9. The authority herein granted to issue a note will become effective when applicants have paid the minimum fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25. In other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 12<sup>th</sup> day of June, 1956.

Peter E. Mitchell  
President

Justin F. Casella  
Ray G. Winters

[Signature]  
[Signature]  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA

**PAID**

JUN 26 1956  
25c

BY [Signature]



APPENDIX A  
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Schedule No. YU-1

Yuba City Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Hillcrest Meadows, a subdivision located in unincorporated area immediately southeast of the intersection of State Highway 24 and Lincoln Road, approximately 2 miles southwest of Yuba City, Sutter County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
<u>Quantity Rates:</u>	
First 700 cu.ft. or less .....	\$ 3.50
Next 1,000 cu.ft., per 100 cu.ft. ....	.25
Next 1,300 cu.ft., per 100 cu.ft. ....	.20
Next 3,000 cu.ft., per 100 cu.ft. ....	.18
Over 6,000 cu.ft., per 100 cu.ft. ....	.15
<u>Minimum Charge:</u>	
For 5/8 x 3/4-inch meter .....	\$ 3.50
For 3/4-inch meter .....	4.50
For 1-inch meter .....	6.25
For 1 1/2-inch meter .....	10.00
For 2-inch meter .....	13.00

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

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Schedule No. YU-2R

Yuba City Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service furnished to residential customers on a flat rate basis.

TERRITORY

Hillcrest Meadows, a subdivision located in unincorporated area immediately southeast of the intersection of State Highway 24 and Lincoln Road, approximately 2 miles southwest of Yuba City, Sutter County.

RATE

For each single family residence,  
including premises .....

Per Service Connection  
Per Month

\$4.25

SPECIAL CONDITIONS

1. The above residential flat rate charge applies to service connections not larger than one inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be rendered only on the basis of Schedule No. YU-1, General Metered Service.

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Schedule No. YU-5

Yuba City Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to municipalities, duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

Hillcrest Meadows, a subdivision located in unincorporated area immediately southeast of the intersection of State Highway 24 and Lincoln Road, approximately 2 miles southwest of Yuba City, Sutter County.

RATE

Per Month

For each wharf type or steamer type hydrant .....	\$2.00
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SPECIAL CONDITIONS

1. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
2. The cost of installation and maintenance of hydrants will be borne by the utility.