

Decision No. 31588

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
DEL ESTE WATER COMPANY,
a corporation, for an order authorizing the issuance of its capital stock, and for a certificate of public convenience and necessity to operate a water system, as a public utility, to supply water for domestic, industrial, commercial and other uses, within certain areas in the County of Stanislaus, State of California.

ORIGINAL

Application No. 22301

Francis O. Hoover, for applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Commission is asked to enter its order, granting Del Este Water Company, a corporation, a certificate of public convenience and necessity; authorizing said Del Este Water Company to issue \$60,000.00 of its common capital stock; and approving the schedule of rates filed in this proceeding as Exhibit C.

Del Este Water Company is a corporation organized in September, 1938, under the laws of the State of California. It has an authorized stock issue of \$75,000.00 divided into 750 shares of the par value of \$100.00 each. Applicant is not now engaged in business and has issued no stock.

The Beard Land and Investment Co., a corporation, and its predecessors in interest, have been the owners of certain tracts of land in Stanislaus County, California, heretofore, and have subdivided portions of said lands and sold the same in parcels and it and its predecessors have constructed heretofore two separate water systems intended to supply water for domestic use to persons residing upon the

parcels of land so subdivided and sold by it and its predecessors. One of these systems is known as the "Del Este System", which includes the "El Roya System"; the other is the "Paradise System". Both systems are near the City of Modesto. A third system known as the "Waterford System" was constructed by the predecessor of applicant to serve with water for domestic and other purposes, purchasers of town lots from applicant and its predecessors in the unincorporated town of Waterford.

The number of consumers on each system, the approximate area now served and the approximate area which applicant intends to serve are set forth in the following tabulation:-

<u>Name of System</u>	<u>No. of Consumers</u>	<u>No. of acres now served</u>	<u>No. of acres to be served</u>
Del Este	425	577	2960
El Roya	14	67	
Paradise	130	126	
Waterford	142	320	
Total.....	<u>711</u>	<u>1090</u>	<u>7300</u>

The areas in which applicant proposes to operate are shown on the map filed in this proceeding as Exhibit D. They are more particularly described in Exhibit I as follows:-

"DEL ESTE SYSTEM:

The following area in Stanislaus County, California:

All of Sections 34 and 35, Township 3 South, Range 9 East, Mount Diablo Base and Meridian;

All of Section 33, Township 3 South, Range 9 East, Mount Diablo Base and Meridian, lying east of Modesto City limits and north of the Tuolumne River;

All of Sections 2 and 3, Township 4 South, Range 9 East, Mount Diablo Base and Meridian, lying north of the Tuolumne River;

All of Sections 26 and 27, Township 3 South, Range 9 East, Mount Diablo Base and Meridian, lying south of Beard Brook;

All of Section 28, Township 3 South, Range 9 East, Mount Diablo Base and Meridian, lying south of Beard Brook and south and east of Modesto city limits.

PARADISE SYSTEM:-

The following area in Stanislaus County, California:

All of Section 36, Township 3 South, Range 8 East, Mount Diablo Base and Meridian;

All of Section 1, Township 4 South, Range 8 East, Mount Diablo Base and Meridian, lying north of Tuolumne River;

All of Section 31, Township 3 South, Range 9 East, Mount Diablo Base and Meridian;

All of Section 6, Township 4 South, Range 9 East, Mount Diablo Base and Meridian;

WATERFORD SYSTEM:-

The following area in Stanislaus County, California:

All of Sections 27 and 28, Township 3 South, Range 11 East, Mount Diablo Base and Meridian;

All of Sections 33 and 34, Township 3 South, Range 11 East, Mount Diablo Base and Meridian, lying north of the Tuolumne River".

Applicant also desires to serve the Modesto Refrigerating Company and the Modesto and Empire Traction Company.

The testimony shows that applicant's predecessors now possess the necessary franchise and permits to conduct a public utility water system and that the franchise and permits will be transferred to applicant.

In Exhibit 2 prepared by Wm. Stava, an engineer, and R. S. Melvin, an assistant engineer, for the Railroad Commission, the estimated cost of the properties which applicant intends to acquire, is reported at \$65,372.00 and the depreciated cost at \$59,648.00. No objection was made by applicant to said figures.

The operating revenues and the operating expenses of the water systems which applicant intends to acquire through the issue of \$60,000.00 of common stock, are for the 11 months ending November 30, 1938 in Exhibit No. 1, reported as follows:-

Operating revenues	:	:	:	:	:	:	:	\$16,642.95
Nonoperating revenue	:	:	:	:	:	:	:	848.43
						Total	:	\$17,491.38
Operating expenses:								
Pumping expense	:	:	:	:	:	:	:	\$6,817.11
General office rent	:	:	:	:	:	:	:	825.00
General and miscellaneous expenses	:	:	:	:	:	:	:	2,475.00
Depreciation	:	:	:	:	:	:	:	2,200.00
Taxes	:	:	:	:	:	:	:	330.00
						Total operating expenses	:	12,647.11
						Net operating revenue	:	\$ 4,844.27
LESS: Interest	:	:	:	:	:	:	:	88.74
						Net income	:	\$ 4,755.53

Applicant asks the Commission to establish the following rates:-

FLAT RATES

For water used in one dwelling house, apartment, store or industry or other single unit establishment with the premises on which the same is located, the charges shall be as follows:-

For 1/2 inch connection	.....	\$2.00	per month
For 3/4 inch connection	.....	\$2.30	" "
For 1 inch connection	.....	\$3.10	" "

Additional dwelling houses, etc., taking service through same connection:

For first additional unit	.....	\$ .80	per month
For second additional unit	.....	.60	per month
For third additional unit and each unit in excess of three	.....	.50	per month

METER RATES

MONTHLY MINIMUM CHARGES:

For 5/8 x 3/4-inch meter	.....	\$1.50
" 3/4-inch meter	.....	1.75
" 1-inch "	.....	2.50
" 1 1/2-inch "	.....	3.50
" 2-inch "	.....	5.00
" 3-inch "	.....	10.00
" 4-inch "	.....	15.00
" 6-inch "	.....	20.00

MONTHLY QUANTITY RATES:

First 5,000 cubic feet, per 100 cu. ft.		7 1/2¢
Next 45,000 " " " " " "		6¢
Over 50,000 " " " " " "		4¢

When a flat rate consumer elects to receive water service on a measured basis, such service must be maintained for a period of at least twelve months.

The flat rates at present in effect are based on the flat rates charged by the municipally owned water system of Modesto. The City of Modesto rate provides for a minimum monthly charge of \$1.50 for the use of water within a dwelling for each family occupying the same. For the use of water upon the lot occupied by the dwelling an additional monthly charge is made of 25¢ for each 3,500 square feet up to 14,000 square feet of land or fraction thereof upon which water is used. For the use of water on lands over 14,000 square feet in area a monthly charge of 50¢ per 3,400 square feet is made. However, irrigation service is limited to alternate days.

The lots of the first subdivision in the Del Este Tract had an area of 11,440 square feet. The application of the Modesto rate including the house use resulted in a monthly charge of \$2.30. This rate has been charged all consumers since 1914, regardless of the size of the lots on all three systems except at Waterford. At Waterford the lots are smaller than the Del Este Subdivision which resulted in a monthly charge of \$2.00 for each premises served. Applicant has asked the Commission to permit it to make a charge of \$2.30 on the Waterford Tract for service rendered through a 3/4 inch service in order to make the charges uniform throughout its systems, and for the further reason that the water level is lower in the Waterford area, which results in increased cost of producing the water than in the systems in the vicinity of Modesto.

After considering applicant's request for the establishment of uniform rates throughout all of its systems, it is felt that as the lift at Waterford is 60 feet, as compared to 45 feet on the systems adjoining Modesto, there is not sufficient difference in operating costs on the

Waterford system to increase the charges requested.

As there were no objections from any of the consumers to the \$2.30 rate for each premise which permits an unlimited use of water in a sandy soil, this rate will be established for each service having a 3/4 connection. Consumers desiring to use less water may take advantage of the 1/2 inch service connection for which a monthly charge of \$1.75 will be made, or they may elect to have a meter installed which will further reduce the minimum charge and still permit the use of 2,000 cubic feet of water per month.

The metered rates requested are lower than the City of Modesto rates for the quantities of water delivered and they will be established in the following order.

O R D E R

The Commission having been asked to enter its order, as indicated in the foregoing opinion, a public hearing having been held before Examiner Fankhauser, the Commission having considered the testimony submitted at such hearing and it being of the opinion that this application should be granted, as provided in this order, therefore,

THE RAILROAD COMMISSION HEREBY DECLARES that public convenience and necessity require and will require Del Este Water Company to acquire, construct, maintain and operate public utility water systems to serve water for domestic and other purposes in the areas described in the foregoing opinion, and to exercise the rights and privileges granted by the Board of Supervisors of Stanislaus County by the resolution approved July 27, 1936, therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity is granted to Del Este Water Company for said purposes.

IT IS HEREBY FURTHER ORDERED that Del Este Water Company be, and it is hereby authorized and directed to file with the Commission, within thirty(30) days from the date of this order the following schedule of rates to be charged for all water service rendered subsequent to the 31st day of December 1938:-

FLAT RATES

For water used in one dwelling house, apartment, store or industry or other single unit establishment with the premises on which the same is located, the charges shall be as follows:-

For 1/2 inch connection	\$1.75	per month
For 3/4 inch connection	\$2.30	" "
For 1 inch connection	\$3.10	" "

Additional dwelling houses, etc., taking service through same connection:

For first additional unit	\$.60	per month
For second additional unit .....	.60	per month
For third additional unit and each unit in excess of three.....	.50	per month

METER RATES

Monthly Minimum Charges

For 5/8 x 3/4-inch meter	\$1.50
For 3/4-inch meter	1.75
For 1-inch meter	2.50
For 1 1/2-inch meter	3.50
For 2-inch meter	5.00
For 3-inch meter	10.00
For 4-inch meter	15.00
For 6-inch meter	20.00

Monthly Quantity Rates:

First	5,000	cubic feet, per 100 cu. ft.	7 1/2¢
Next	45,000	" " " " " "	6¢
Over	50,000	" " " " " "	4¢

IT IS HEREBY FURTHER ORDERED that Del Este Water Company file with this Commission within thirty(30) days from the date of this order rules and regulations governing service to its consumers, said rules and regulations to become effective upon their acceptance for filing, by this Commission.

IT IS HEREBY FURTHER ORDERED that Del Este Water Company be, and it is hereby, authorized to issue on or before February 1, 1939, \$60,000.00 par value of its common capital stock in payment for the properties described in this application, and more particularly in Exhibit No. 2 filed in this proceeding, the issue of which stock the Commission hereby finds to be reasonably necessary for the purposes indicated and that the expenditures for such purposes are not in whole or in part reasonably chargeable to operating expense or to income.

IT IS HEREBY FURTHER ORDERED that within thirty(30) days after the acquisition of the aforesaid properties by Del Este Water Company, it shall file with the Railroad Commission a copy of the deed or other instrument under which it acquires and holds title to said properties, a report showing the amount of stock which it issued in payment for said properties, and a report showing the exact date when it acquired said properties and took possession of the same.

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall become effective upon the date hereof.

DATED at San Francisco, California, this 19th day of December, 1938.

Ralph W. Smith
Leon A. White
Harry R. Miller
W. H. Baker
COMMISSIONERS