

Decision No. 35757

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
T. K. Helmer for certificate ordering
authorization for operation of a
private water system.

Application No. 24334

T. K. Helmer, for Applicant.

Fisk & Thompson, by Frederick Thompson,
for Morro Strand Company.

Herbert C. Grundell, for Consumers.

BY THE COMMISSION:

O P I N I O N

In this proceeding T. K. Helmer asks the Railroad Commission for a certificate of public convenience and necessity to furnish water service to Morro Strand, a subdivision located on the Ocean front about midway between the town of Morro Bay and Cayucos, in San Luis Obispo County, California. The Commission is also requested to establish a schedule of rates for such service.

A public hearing in this matter was held before Examiner John C. Luthin in San Luis Obispo.

Morro Strand comprises approximately three hundred and fifty acres developed as a subdivision in five units during the years 1928, 1929 and 1930 and including a total of 3,339 lots, of which more than 2,500 have been sold. Most of the lots were bought on speculation and relatively few of the owners have improved their property. The homes have been built mostly as summer and week-end cottages by persons normally residing in the San Joaquin Valley. In the past two years, however, all houses in this area have become occupied

throughout the year by army officers and defense workers and there exists a great demand for homes in this vicinity because of its proximity to Camp San Luis Obispo and other training camps and national defense projects.

The application states that since 1928 the Morro Strand Company, as developer of Morro Strand, has been supplying water to residents of the subdivision without charge, although the Company was not obligated to furnish water free. The standard form of agreement pertaining to the sale of lots by Morro Strand Company provides that water mains are to be installed throughout the tract with the further understanding that the Company would maintain and operate the water system until such time as a mutual water company should be created or until the water works might be turned over to some private individual to operate. Applicant T. K. Helmer now desires to assume operation of the entire water system with the intention of installing meters and charging consumers for the water service to be rendered.

The present source of water supply is a drilled well located on a two- or three-acre tract on the bank of Old Creek at a point near its intersection with State Highway No. 1 about one-half mile north of the subdivision. An electrically driven deep-well turbine pump delivers the water into a 3,000-gallon tank equipped with a float valve and automatic controls. An electrically driven, manually controlled triplex pump, of 60 gallons per minute rated capacity, boosts the water through 8,465 feet of 3-1/4" O.D. pipe to two 10,000-gallon storage tanks located in the service area at an elevation of about 210 feet, which height is sufficient to supply water to the greater portion of the tract by gravity flow. The distribution system comprises 1,800 feet of 3-1/4" O.D. casing, 7,700 feet of 2" reconditioned pipe and 5,200 feet of 1" reconditioned pipe. At the time of the hearing there were 42 active services, of which two are duplex houses, two are four- and ten-unit auto courts and the remainder are single-family residences. The static pressure at the consumer premises was found to vary from 38 to 28 pounds per square inch. This water system is the only one furnishing service in Morro Strand.

According to a statement filed as Exhibit No. 3 in this proceeding, prepared by Ernest T. Maery, Auditor for Morro Strand Company, the cost of the water system as set forth on the Company's books was \$15,001 but this figure was not supported by any properly admissible evidence. The Report of the Hydraulic Division of the Commission, submitted in evidence as Exhibit No. 5, shows the estimated cost of the plant as of October 7, 1941, to be \$11,058, based on an inventory made in the field and costs obtained from the Company's books and records. The annual charge for depreciation, based on the Commission's appraisal and computed by the 5% sinking fund method, is \$203 and the accrued depreciation is \$3,259.

Inasmuch as no charge has heretofore been made for water service rendered to consumers within this subdivision, there has been no revenue recorded. The operating expenses as shown on the Company's books include electric power purchased, salary of operator and various repair and maintenance expenses. The last named expenditures are so intermingled with the real estate operations that they could not be segregated. For the past three years the power expense and salaries have averaged \$427.

Mr. Frederick Thompson, one of the principal owners of Morro Strand Company, testified that the water system is to be given to Applicant T. K. Helmer upon the consideration that he obtains a certificate of public convenience and necessity and operates the utility under the jurisdiction of the Railroad Commission. He also testified that the Morro Strand Company will install any main extensions necessary to render service to new consumers and will transfer ownership of these extensions to the new owner of the water system. Mr. Thompson further stated that his Company would be willing to transfer the properties to any individual or organization that could show that the system would be properly handled and adequate service continued.

At the hearing there was presented a petition signed by over a score of Morro Strand property owners asking the Commission to postpone action on the application of T. K. Helmer until reasonable time had been allowed for exploring

the possibilities of operating the water system on a cooperative basis. It was stipulated by all parties that a thirty-day period be granted to enable the consumers to organize and negotiate for the acquisition of the system. Since the expiration of the stipulated period, Mr. Herbert C. Grundell, the attorney who represented the consumers at the hearing, has informed the Commission to the effect that the consumers are prepared to form and are in favor of forming a County Waterworks District but only in the event that Mr. Helmer's application should be denied.

Applicant is at present employed as a welder at Taft and has had practical experience in making repairs to pipe lines and equipment used in the operation of water systems. Taft being nearly 100 miles by highway routes from Morro Strand, Mr. Helmer stated that it is his intention to have his father reside near the pumping plant continuously to operate and manage the utility properties. Applicant proposes to install meters on all services and has suggested a minimum monthly charge of \$2.00 to include 800 cubic feet of water and a quantity rate of 20 cents per hundred cubic feet for water used in excess of that included in the minimum charge. He proposes to charge a flat rate of \$2.00 per month until such time as meters can be installed and further suggests that charges be made only during such months as the houses are occupied.

In view of the increasing difficulty which even existing water utilities are encountering in attempts to obtain water meters, because of the scarcity of materials of which they are made, the Commission recommends the establishment of a schedule of flat rates commensurate with the schedule of meter rates, which flat rates may remain in effect for a considerable period before meters are available in substantial quantities. Also it is recommended that both schedules make provision for a minimum annual charge to apply to those consumers who use their homes in Morro Strand primarily during the summer months and for week-ends. The following Order will establish such rates.

O R D E R

Application as entitled above having been filed with the Railroad Commission, a public hearing having been held thereon, the matter having been duly submitted and the Commission now being fully advised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require and will require the operation of a public utility water system by T. K. Helmer in Unit Nos. 1, 2, 3, 4 and 5 of Morro Strand, being subdivisions of portions of Lots 40 and 41 of Rancho Morro y Cajucos, San Luis Obispo County, as said subdivisions are delineated upon the maps attached to the application and which are hereby made a part hereof by reference.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to T. K. Helmer to operate a public utility for the sale and distribution of water within the territory hereinabove described.

IT IS HEREBY FURTHER ORDERED that T. K. Helmer be and he is hereby directed as follows:

- (1) Within ten (10) days after the transfer of the water properties and facilities from the Morro Strand Company, to file with this Commission a sworn statement indicating the date on which control and possession of said water system were acquired by him.
- (2) Within thirty (30) days after the transfer of the water works properties and facilities from the Morro Strand Company, to file with this Commission a certified copy of the final instrument or instruments of conveyance indicating the lands, water works facilities, equipment, tools, etc., so acquired by him.
- (3) Within thirty (30) days after such acquisition, to file with this Commission an affidavit to the effect that he will never claim before this Commission or any other public body an amount for the certificate of public convenience and necessity granted herein in excess of the actual cost of acquiring it.

IT IS HEREBY FURTHER ORDERED that T. K. Helmer be and he is hereby authorized and directed to file with this Commission, within thirty (30) days

after acquisition of the water system supplying Morro Strand, the following schedule of rates to be charged his consumers in Morro Strand in San Luis Obispo County, for all water delivered on and after the first day of the month next succeeding such acquisition, which schedule of rates is hereby found to be just and reasonable for the service to be rendered.

RATE SCHEDULES

FLAT RATES

Bona Fide Permanent Residents:

Single family dwellings, per month	\$2.00
Duplex dwellings or apartments:	
For each occupied unit, per month	1.50
Auto courts, minimum monthly charge	2.00
For each unit occupied during any portion of the month, in addition to manager's quarters, per month50
Service stations, stores or other business establishments, according to expected use of water, minimum monthly charge	2.00

Non-permanent Residents:

<u>Minimum Annual Charge</u> , payable in advance, which entitles the consumer to water for a period of eight consecutive months during calendar year	\$12.00
For use of water during other months, per month or fraction thereof	2.00

METERED RATES

Bona Fide Permanent Residents:

Minimum Monthly Charges:

5/8 x 3/4 inch meter	\$2.00
3/4 inch meter	2.50
1 inch meter	3.50
1-1/2 inch meter	5.00
2 inch meter	7.00

Each of the foregoing "Minimum Monthly Charges" will entitle the consumer to the quantity of water which that minimum monthly charge will purchase at the following "Monthly Quantity Rates":

Monthly Quantity Rates:

First	600 cubic feet, per 100 cubic feet . . .	\$0.33-1/3
Next	900 cubic feet, per 100 cubic feet . . .	0.25
All over 1,500	cubic feet, per 100 cubic feet . . .	0.20

Non-Permanent Residents:

Minimum Annual Charge, payable in advance, which entitles the consumer to 600 cubic feet of water each month from March to October, inclusive \$18.00

For service during other months of same calendar year, charges at regular meter rates.

Charges for service in excess of monthly minimum allowance of 600 cubic feet regular meter rates.

IT IS HEREBY FURTHER ORDERED that T. K. Helmer be and he is hereby directed as follows:

- (1) Within thirty (30) days after acquiring the water system supplying Morro Strand, to submit to this Commission for its approval four sets of rules and regulations governing relations with his consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8 1/2 x 11 inches in size, delineating thereupon in distinctive markings the boundaries of the authorized service area and the location thereof with reference to the surrounding territory; provided, further, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.
- (2) Within sixty (60) days after acquiring the water system supplying Morro Strand, to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 400 feet to the inch, upon which shall be delineated by appropriate markings the various tracts in the territory for which the certificate is granted herein. This map shall be reasonably accurate, show the source and date thereof and include sufficient data to determine clearly and definitely the location of the various properties comprising the entire utility area of service; provided, however, that such map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 10th day of September, 1942.

Justus F. Calver

[Signature]

George D. Hayes
[Signature]

 Commissioners.