

Decision No. 35895

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of FRESNO SUBURBAN WATER SERVICE
CO., a corporation, for:

- I. A certificate of public necessity and convenience to serve Figarden, Highway City and Beverly Park areas with water.
- II. Permission to issue its stock for existing water service facilities and for costs, and
- III. For an order establishing reasonable rates to be charged for water service, and Rules of Service.

ORIGINAL

Application No. 24532

James W. Campbell and
H. A. Savage, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding, as originally filed, the Commission is asked to enter its order; (1) authorizing J. C. Forkner, Inc., to transfer to Robert L. Forkner and Muriel Forkner, his wife, and authorizing Robert L. Forkner and Muriel Forkner, his wife, to transfer to Fresno Suburban Water Service Co. the water systems situate in the communities known as Figarden, Highway City and Beverly Park, in Fresno County; (2) authorizing Fresno Suburban Water Service Co. to issue in payment for said properties \$15,000 of 6% cumulative preferred stock and \$5,000 of common stock, and issue \$1,000 of common stock for working capital, and (3) granting Fresno Suburban Water Service Co. a certificate of public convenience and necessity to construct,

maintain and operate a public utility water system to supply water for domestic and other purposes in said areas and fix the flat and meter rates which it may charge for service rendered.

A public hearing on this matter was held at Fresno before Examiner William Stava.

Since the hearing on the application the Beverly Park Water Properties were transferred to the Fresno County Water Works District No. 3, a public corporation, under the authority granted by the Commission's Decision No. 35629, dated July 28, 1942.

Figarden Water System, originally supplying water for ranch operations, was extended, beginning about 1920, to aid in the sale of lots in Figarden Subdivisions No. 1 and 2 about six miles northerly of the City of Fresno at Figarden Station on The Atchison, Topeka and Santa Fe Railroad. The water supply is obtained from one 10-inch well by means of electrically driven pumping equipment, and distributed through 8600 feet of mains.

Pressure is automatically controlled between 20 and 40 pounds per square inch in a 2300-gallon steel tank near the well located on Lot 256, Figarden Subdivision No. 1. The area to be served is subdivided into 771 lots and totals 65 acres. Only a small portion of the lots has service connections. Thirty consumers are presently receiving water service.

Highway City Water System was also installed to aid in the sale of lots. The area to be served comprises 103 acres subdivided into 105 lots, in the northwest quarter of Section 10, Township 13 south, Range 9 east, M.D.B.M., and located on the State Highway (U.S. 99) six miles northwest of the City of Fresno. It is distant 1-1/4 miles southwest from the Figarden system. Two wells equipped with electrically driven pumping equipment furnish the water supply distributed under automatically controlled pressure through a 2000-gallon steel tank into mains ranging in diameter from 1-1/2 to 4 inches and totaling 9,770 feet in length. A second 2000-gallon steel tank serves as a sand trap. The wells are 30 feet apart on the south half of

Lots 8 and 9, Block A, Highway City Subdivision. One hundred and eight consumers are served.

The Board of Supervisors of Fresno County has advised that it does not require Applicant to procure a franchise, the Company having only to obtain permits issued by the County Engineer for use of dedicated highways, streets, roads and alleys for the purpose of laying and maintaining pipe lines. These permits have been secured in all necessary instances.

Flat rates of \$1.50 per month are presently charged without regard to size of lot under service. Lots in Figarden and Highway City vary in size up to about 1.2 acres. The average size is 7500 square feet. Applicant requests that flat and meter rates be established with the flat rates applicable to various sized parcels and more than one house on one lot. This request appears reasonable. The flat rates hereinafter established will permit the consumer to obtain water service under such varying conditions at just and equitable charges and give an adequate and reasonable return on the investment in the water systems. Meter rates, also hereinafter established, conform to standard practice in rendering water service under similar conditions in other nearby communities. The consumer's use of water from these systems will be primarily for domestic purposes and the irrigation of lawns and shrubs, but may extend to the irrigation of an acre or less planted to garden and other crops.

Several consumers testified regarding written statements given them, particularly in Highway City, by J. C. Forkner, Inc., that a mutual water company would be formed and a certificate in such company issued to the owner of each lot. Pending the organization of a mutual company, a fair,

just and equitable charge for water may be made. The evidence shows that the Highway City system was offered the consumers in 1937, but they did not accept it because of its then condition. The evidence shows further that since 1937 the available supply of water has been increased by drilling a second well. However, neither system presently has the capacity to withstand exceptionally heavy draught such as would be needed by a large industry or for adequate fire protection. Applicant admits its present inability to render more than domestic and irrigation service; has no fire hydrants on either system, and does not propose any charge for any fire protection service.

Testimony of consumers otherwise was directed toward rates to be charged for the service to be rendered, which rates they felt should be reasonably low, considering the type of service required, and should not exceed a flat rate of \$1.50 per month per residence the year around; that the owner of the small lot should not pay an undue proportion of the total charges and they they were entitled to adequate service under the circumstances. The Commission has considered the testimony of the consumers.

The record shows that no other utility serves in this area and that water service is required in the Highway City and Figarden subdivisions. There were no protests against granting the application as prayed for. Therefore, it appears to be in the public interest that a certificate of public convenience and necessity be granted and that rates for the service to be rendered be established.

It is of record that Robert L. Forkner acquired the three water properties from J. C. Forkner, Inc., at a cost of \$20,000, payable as follows:

\$1,000 upon the execution of the agreement.
 \$1,000 on or before January 15, 1943.
 \$1,000 on the 15th day of each succeeding
 January until the full sum of \$20,000
 has been paid.

The agreement of sale provides that he may, if he so desires, convey all of the properties to a corporation in exchange for stock. In the

amended petition filed on May 2, 1942, J. C. Forkner, Inc., asks permission to transfer the properties to Robert L. Forkner.

As stated, Robert L. Forkner in the original petition asks permission to transfer said properties to the Fresno Suburban Water Service Co. in exchange for \$15,000 par value of 6% cumulative preferred stock and \$5,000 of common stock. The Fresno Suburban Water Service Co. was organized in 1941 under the laws of California. It has an authorized stock issue of \$35,000 par value divided into \$25,000 par value of 6% cumulative preferred and \$10,000 of common stock. Its Articles of Incorporation provide that the holders of the preferred stock shall be entitled to receive preferential cumulative dividends of 6% per annum, payable on the 10th day of January each year, commencing January 10, 1943. In case of dissolution of the corporation the holders of the preferred stock shall receive the par value of their stock and all accrued dividends before any payments are made to the holders of the common stock. Holders of preferred stock have no voting rights unless there is a default in the payment of dividends. During the period of default of the payment of dividends the holders of the preferred stock become entitled to full and equal voting privileges during the continuation of such default of the common stock. The directors of the corporation have the power to levy assessments on all shares of stock of the corporation. These assessments could be levied upon the holders of the preferred stock by directors elected by the holders of common stock.

In 1940 the three properties had operating revenues of \$3,357.12 and in 1941 operating revenues of \$4,037.10. About 40% of the 1941 operating revenues represents revenues of the Beverly Park properties, which, as stated, have been sold to the Fresno County Water Works District No. 3. According to the record the estimated original cost of the Figarden and Highway City systems is \$13,990, the accrued depreciation \$2,644 and the estimated original cost less accrued depreciation \$11,346, divided between the two systems as follows:

	Figarden System	Highway City System	Total Both Systems
Estimated Original Cost	\$5,642	\$8,348	\$13,990
Accrued Depreciation	1,296	1,348	2,644
Estimated Original Cost Less Accrued Depreciation	<u>\$4,346</u>	<u>\$7,000</u>	<u>\$11,346</u>

The depreciation annuity calculated by the sinking fund method at 5% is \$354, of which \$140 applies to the Figarden system and \$214 to the Highway City system.

We do not believe that Fresno Suburban Water Service Co. should, at this time, issue any preferred stock. The order herein will authorize the company to issue, in payment for the Figarden and Highway City water systems, \$10,000 of common stock. If Fresno Suburban Water Service Co. desires to issue any additional common stock in payment for such properties or to issue any common stock to obtain working capital, it should amend its Articles of Incorporation and increase its authorized common capital stock issue. Upon the filing of an appropriate supplemental petition we will consider the matter of authorizing the company to issue additional common stock.

ORDER

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 being now fully advised in the premises,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the construction, operation and maintenance of a public utility water system by Fresno Suburban Water Service Co., a corporation, for the purpose of furnishing domestic and irrigation water service within two certain subdivided areas in the County of Fresno known as Highway City, located about six miles northwest of the

City of Fresno on the State Highway (U.S.99), and as Figarden Subdivisions No. 1 and 2, situate about six miles northerly of the City of Fresno at Figarden Station on The Atchison, Topeka and Santa Fe Railroad, as more particularly delineated upon those maps entitled in part Highway City and Figarden Water Systems, marked Exhibits D-1 and D-2, attached to the application herein and which are hereby made a part of this Order by reference.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it is hereby granted to Fresno Suburban Water Service Co., a corporation, for the construction, operation and maintenance of a public utility water system in the territory hereinabove described.

IT IS HEREBY FURTHER ORDERED that it is a condition of this Order that Fresno Suburban Water Service Co., a corporation, shall 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 Fresno Suburban Water Service Co., a corporation, be and it is hereby authorized and directed to file with this Commission, within thirty (30) days from the date of this Order, the following schedule of rates to be charged for water service rendered to its consumers subsequent to the 31st day of October, 1942, which schedule of rates is hereby found to be just and reasonable for the service to be rendered within the territory herein certificated.

SCHEDULE OF RATES

FLAT RATES

<u>Classification:</u>	<u>Per Month</u>
For one residence on one lot, including irrigation of lawn and garden thereon not in excess of 6,000 square feet	\$1.50
For each additional 100 square feet irrigated between April 1 and November 102

SCHEDULE OF RATES (Contd.)

FLAT RATES Continued

<u>Classification:</u>	<u>Per Month</u>
For each additional residence on the same lot when occupied	\$1.00
Stores and other businesses	1.50
Labor camps (fruit pickers, etc.) when occupied, minimum	3.00

METERED RATES

Minimum Monthly Charges:

5/8 x 3/4 inch meter	\$1.50
3/4 inch meter	2.00
1 inch meter	2.50
1-1/2 inch meter	3.50
2 inch meter	6.00

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 1000 cubic feet, or less	\$1.50
Next 2000 cubic feet, per 100 cubic feet12
Next 5000 cubic feet, per 100 cubic feet10
Over 8000 cubic feet, per 100 cubic feet07

IT IS HEREBY FURTHER ORDERED that Fresno Suburban Water Service Co., a corporation, be and it is hereby directed as follows:

1. Within thirty (30) days from the date of this Order, to submit to this Commission for its approval, quadruplicate sets of rules and regulations, governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet approximately 8 1/2 x 11 inches in size, delineating thereupon in distinctive markings the boundaries of the authorized service area; provided, 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 from the date of this Order, 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 correctly by appropriate markings the various tracts of land in the territory for which the certificate is granted herein. This map should 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.

