

ORIGINAL

Decision No. 41105

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Neil M. Cecil, doing business as College Gardens Water Company, for certificate of public convenience and necessity to operate and carry on the business of a water company and establish rates to be charged.

Application No. 28540

Vernon F. Grant, for Applicant.

Bert M. M. Carner, for himself and certain other customers.

O P I N I O N

Neil M. Cecil, doing business as College Gardens Water Company, asks the Commission to grant him a certificate of public convenience and necessity to operate a public utility water system in a partially subdivided territory adjoining the northerly boundary of the City of Modesto, Stanislaus County, and for the approval of a schedule of flat rates. This schedule provides for a monthly charge of \$3.00 for a 3/4-inch service connection and \$4.00 for a 1-inch service connection.

A public hearing in this proceeding was held before Examiner Stava at Modesto.

The service area requested consists of approximately 400 acres, being portions of Sections 19 and 20, T. 3 S., R. 9 E., M.D.B. & M. The north 30 acres of the NE $\frac{1}{4}$  of the SE $\frac{1}{4}$  of Section 19 has been subdivided into 105 lots and the tract has been recorded as "College Gardens." An adjoining tract called College Gardens No. 2 has been subdivided into 70 lots. All lots have an approximate area of 8,000 square feet. Certain lands adjoining the two tracts will be developed for residential use in the near future and applicant desires to supply the water service therein. Construction of the water system to serve the 175 lots is now nearing

completion. At present there are 84 houses on the tract and 12 more are under construction. There are 74 customers being served at present through 1-inch service connections at a flat rate of \$4.00 per month.

Water is obtained from a 12-inch drilled well, 225 feet in depth, located on Lot 5, Block 916, Tract No. 1. The well is equipped with a 50-horsepower motor, connected to a deep well turbine pump, producing 1,000 gallons of water per minute with a draw-down of 44 feet. The water is delivered under control of a 5,000-gallon steel pressure tank through 6,305 feet of mains, varying from 12 to 4 inches in diameter. Service connections from the mains to serve each of the 105 lots in Tract No. 1 are one inch in diameter. Applicant proposes to provide a standby well and pump on the present well lot and also will install 5,600 feet of 6 and 4-inch mains in the newly subdivided tract. The system serving College Gardens Tract No. 1 is estimated to cost \$26,245. Additional expenditures of \$9,003 will be required to complete the system in the second unit.

Applicant testified that the system was installed in accordance with the specifications of the water department of the City of Modesto and that the pumping plant and mains were installed of sufficient capacity to permit extension to adjoining territory when required. Applicant stated that although 3/4-inch service connections are installed by all water utilities in the vicinity of Modesto for domestic residential use, he has installed 1-inch connections in order to avoid a possible reduction in delivery capacity from tuberculation. According to the testimony the general flat rate in Modesto and the territory immediately adjacent thereto for 3/4-inch connections is \$2.30 per month and \$3.10 per month for 1-inch connections. Mr. Cecil estimated the gross annual revenue from 100 customers in College Gardens Tract No. 1 at \$4.00 monthly to total \$4,800, and the annual operating expenses as \$4,112, leaving a net revenue of \$688. The results of operation on this basis showed a return of 2.75 per cent on an investment of \$25,008.

Mr. D. L. Duncan, one of the Commission's engineers, presented a report covering an investigation of the system and the costs of installation. The report showed the investment in the system installed in Tract No. 1 to be \$18,775, and the

sum of \$4,734 as expended for pipe lines and supplies on hand for installation in Tract No. 2. He testified that the operating expenses for Tract No. 1, if operated as outlined by Mr. Cecil, would amount to \$3,500; if operated as other utilities in the same general district, it could be efficiently and properly operated for \$2,000 per year, including allowance for depreciation. On this assumption he presented the following estimate based upon serving 100 customers:

Rate per month	\$4.00.	\$3.00.	\$2.30.
Estimated Revenues	\$4,800	\$3,600	\$2,760
Estimated Expenses	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Net Revenues	2,800	1,600	760
Rate of Return	15.3%	8.5%	4.1%

Mr. Duncan testified that the system was over-built for service to customers in Tract No. 1 only, and that the facilities installed had sufficient capacity to supply a much larger territory than the two tracts.

The customers protested the \$4.00 per month charge for the one-inch service because it far exceeded the charges for similar service rendered by other utilities in the vicinity of Modesto. In addition they unanimously claimed that the 3/4-inch service pipe was as large as necessary and asked that the monthly charges be reduced to the \$2.30 rate for 3/4-inch service connections as charged by all other systems in the Modesto area. Applicant has agreed to adjust all past payments on the basis of rates to be established by the Commission.

The evidence presented shows that while the system is designed to meet not only the demands of the present customers but also to permit extension into additional areas, yet the construction costs have been far greater than the older systems because of the higher relative costs of labor and materials. In order to provide a return on the increased investment costs and to meet the increased costs of operation, a somewhat higher rate will be established than is generally effective for 3/4-inch services in the Modesto area. This rate will provide for service through the standard 5/8 x 3/4-inch meter generally installed on a 3/4-inch service pipe. Each and every consumer is entitled to this size meter and service connection on demand and at the established monthly minimum meter charge therefor.

Whereas in this case 1-inch service pipes already having been installed, the utility shall install the 5/8 x 3/4-inch meter unless the consumer requires and requests a larger size meter. It will be unnecessary, of course, to go to the added expense of replacing the present 1-inch service connection with standard 3/4-inch pipe. When service is rendered on a flat rate basis, each and every consumer is entitled to service through a 3/4-inch service connection at the rate established therefor.

Although applicant did not request a meter rate in order to avoid reading the meters and billing on a measured basis, a meter rate will be established to provide customers with a schedule that will permit the charges for service to be computed on the actual use of water on the premises.

Applicant has applied to the Board of Supervisors of Stanislaus County for permission to construct, maintain and operate a water system in the streets of the two tracts and has been informed that the request will be granted. He has agreed to file a copy of the resolution or letter granting this authority when received.

No other public utility water system serves in the territory and no one appeared to protest the granting of the certificate. Under the circumstances this authority will be granted.

The certificate of public convenience and necessity granted herein is subject to the following provisions 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

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

THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA hereby declares that public convenience and necessity require, and will require, Neil M. Cecil to construct and operate a public utility water system in College Gardens Tracts No. 1 and No. 2 and surrounding territory located near and adjoining the northerly boundaries of the City of Modesto, Stanislaus County, said area being more particularly delineated upon a map attached to the application herein, which map is hereby made a part of this Order by reference.

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be and it is hereby granted to Neil M. Cecil to operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.
2. That Neil M. Cecil be and he is hereby authorized and directed to file in quadruplicate with this Commission, within thirty (30) days from the date of this Order, in conformity with the Commission's General Order No. 96, the following schedules of rates to be charged for all water service rendered to his customers on and after the first day of February, 1948, which schedules of rates are hereby found to be just and reasonable for the service to be rendered.

Schedule No. 1

FLAT RATE SERVICE

Applicability:

Applicable to all domestic and commercial use of water.

Territory:

In the territory known as College Gardens, located and adjoining the northerly boundaries of the City of Modesto, Stanislaus County.

Rates:

Per Month

For each service connected to a consumer's	
3/4-inch house pipe line . . . . .	\$2.60
For each service connected to a consumer's	
1-inch house pipe line. . . . .	3.50

Schedule No. 2

METERED SERVICE

Applicability:

Applicable to all domestic and commercial use of water.

Territory:

In the territory known as College Gardens, located and adjoining the northerly boundaries of the City of Modesto, Stanislaus County.

Rates:

Per Meter  
Per Month

Monthly Minimum Charge:

For 5/8 x 3/4-inch meter . . . . .	\$2.00
For 3/4-inch meter . . . . .	2.50
For 1-inch meter . . . . .	3.00
For 1 1/2-inch meter . . . . .	5.00
For 2-inch meter . . . . .	8.00

Monthly Quantity Rates:

First 1,000 cubic feet or less per month . . . . .	2.00
Next 3,000 cubic feet, per 100 cubic feet . . . . .	.15
Next 6,000 cubic feet, per 100 cubic feet . . . . .	.12
Over 10,000 cubic feet, per 100 cubic feet . . . . .	.10

A meter may be installed at the option of either the utility or the customer. When service is changed from flat to meter rates, at the customer's written request, such service must be continued for not less than 12 months at the meter rate before it may again be changed to flat rates.

3. That Neil M. Cecil, within sixty (60) days from the date of this Order, shall 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 his present service area and the location thereof with reference to the immediate surrounding territory; 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.
  
4. That Neil M. Cecil, within sixty (60) days from the date of this Order, shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently served. 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 property 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 6th day of

January, 1948.

Harold P. Hule

James D. Graham

W. H. Russell

A. J. [unclear]

Samuel Potter

Commissioners.