

Decision No. 42474**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF
 FRED MATIAS FOR A CERTIFICATE OF
 PUBLIC CONVENIENCE AND NECESSITY TO
 OPERATE A WATER DISTRIBUTION SYSTEM
 IN THE AREA KNOWN AS THE ARROYO SECO
 IN SECTION 31, TOWNSHIP 19S., RANGE
 5 E., T.D.B.&M., MONTEREY COUNTY, AND AN
 ORDER ESTABLISHING RATES AND RULES
 AND REGULATIONS THEREFOR.

Application No. 30224

O P I N I O N

Fred Matias, doing business as Arroyo Seco Water Company, has applied to the Commission for a certificate of public convenience and necessity to operate a public utility water system to serve residents of Fred's Camp, Arroyo Seco, Monterey County, California, an unincorporated area located along the Arroyo Seco River, in the south one-half of Section 31, Township 19 South, Range 5 East, M.D.B.&M. Fred's Camp is located approximately 22 miles southwest of Soledad. Applicant also requests the Commission to establish flat and metered rates for water service in this territory.

A public hearing in this proceeding was held before Examiner Kimball at Soledad on September 26, 1949.

The water system was installed originally about 1939 by Fred Matias to serve Fred's Camp and to provide a water supply for properties subsequently sold or leased to summer residents for 99-year periods. At the present time, there are some 53 residences, 49 of which are located on the property of applicant, and water has been supplied to all residences at no charge. Applicant has subdivided a new area adjacent to the presently developed area, and intends to extend water service to each of the 57 additional lots.

The area for which a certificate is requested is delineated on the map submitted in evidence as Exhibit 8 and consists of approximately 114 acres of land, a portion of which has been subdivided.

The water supply for this system is from a dug well 18 feet deep in the Arroyo Seco River gravel bed about 50 feet north of the main channel. Water from the well is pumped by means of an electrically driven turbine pump into the system, with the surplus being delivered to a new concrete reservoir of 20,000-gallon capacity located at an elevation of about 90 feet above the pump house. There are also two redwood tanks of 4,000-gallon capacity each, which are owned by Dr. O. H. Nusz and are used to provide storage service to Dr. Nusz and four other customers. These tanks are located at an elevation of about 50 feet above the pump and will be used ultimately only in connection with Dr. Nusz's service.

The present distribution system consists of approximately 4,800 feet of pipe line ranging in size from 3/4 inch to two inches in diameter, of which approximately 2,700 feet is two-inch pipe.

The flat rates requested by applicant are set forth in the tabulation below:

	<u>Rate per Quarter</u>
For all residences, cabins or apartments of five rooms or less	\$9.00
Additional for each room attached or detached on same premises	.50
Irrigation of lawns, shrubbery, trees and gardens10
The rate for other uses is dependent on estimated quantity used.	

The applicant also requested quarterly meter rates ranging from \$7.50 for a 5/8 x 3/4-inch meter to \$18 for a 1 1/2-inch meter. The measured rates provide for a minimum allowance of 3,000 cubic feet per quarter and the charges for excess use are reduced through three blocks to 15 cents per 100 cubic feet. The applicant requested authorization to install a meter on any service connection, either at the request of the customer or at the option of the utility.

A detailed inventory and appraisal of the system, as of March 10, 1949, made by Clayton B. Neill and George C. Bestor, consulting engineers, is attached to the application as Exhibit B. The appraisal shows fixed capital of \$6,234, as of the date of the appraisal. To this amount should be added \$150 for a standby pump and motor and \$100 for some 130 feet of two-inch pipe added since the date of the appraisal, making a total of \$6,484. Investigation and analysis by an engineer of the Commission's staff indicated the appraisal to be reasonable, except that it did not take into account the fact that certain customers paid for the installing of main extensions to serve their homes. Testimony by applicant indicated that some \$800 had been paid by customers, and, accordingly, this amount will be treated as advances in aid of construction and deducted from the rate base capital. A rate base of \$5,700 will be used in considering rates under present operations.

A witness for applicant testified an added investment of \$3,575 would be required to serve some 20 additional customers in the newly subdivided area, and that such development might take place over a period of about three years.

An engineer of the Commission's staff, John Reader, entered a report covering an investigation of the system and its operation as Exhibit 9. The report sets forth an estimate of \$4,500 additional investment as being required to serve all of the newly subdivided area.

Estimated annual expenses of operating the system are shown as \$1,700 in Exhibit B attached to the application. However, it was brought out that certain of the items of expense might be excessive for the operation of the present water system and that these expenses with additional labor charges would more properly reflect the cost of operating the completed system serving about 100 customers.

A review of the evidence indicates that the normal annual expenses for the immediate future should be about \$1,250 based on

present operations and development. In view of the foregoing, it appears that the rates requested by applicant would yield an excessive rate of return. The order herein will provide for rates which are estimated to produce annual revenue of about \$1,620, resulting in a rate of return of about 6.5% on the rate base of \$5,700.

Two of the customers, both served by the same main, complained of rust in the water. Applicant suggested that this condition, which may be due to intermittent use, could be eliminated by periodic flushing of the main. However, applicant agreed to make a replacement of the present main if it was determined that flushing would not eliminate the rust condition.

Evidence introduced at the hearing indicated that certain 3/4-inch and one-inch mains cannot deliver sufficient water at adequate pressure to the residences served therefrom. Applicant agreed to install pipe of sufficient size to furnish adequate service to all customers.

The president of the Property Owners Committee of Fred's Camp, J. W. Fransconi, and one other customer stated that they believed the rates requested by applicant were excessive in view of the investment. No objections were made at the hearing held in this matter to the granting of a certificate to applicant.

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 the consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered and a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the operation of a public utility water system by Fred Matias in a subdivided tract known as Fred's Camp, Arroyo Seco, Monterey County, in the area more particularly delineated by outline in red upon the map marked Exhibit 8 in this proceeding; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Fred Matias to operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that applicant shall:

1. File rates set forth in Exhibit A attached to this order, to be effective on and after January 1, 1950, together with rules and regulations and tariff service map acceptable to this Commission and in accordance with the requirements of General Order No. 96.
2. Within forty (40) days after the effective date of this order, file four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 1st day of November, 1949.

A. Z. Donohue
Justice J. C. Cramer
Dep. St. Council.
Harold P. Kula
Commissioners.

Schedule No: 1

ANNUAL FLAT RATES

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

In the area known as Arroyo Seco in Monterey County, consisting of approximately 114 acres.

RATES

	<u>Annual Charges</u>
Residences, cabins or apartments of five rooms or less to include the irrigation of 1,500 square feet of garden	\$30.00
Additional for each room attached or detached on the same premises	2.00
Garden irrigation in excess of 1,500 square feet per season per 500 square feet	1.00

SPECIAL CONDITIONS

1. Annual charges are payable in advance for the entire year on January 1, or in two equal installments on January 1 and July 1 each year.
2. Meters may be installed at the option of the customer or the utility.

Schedule No. 2

ANNUAL METER RATES

APPLICABILITY

Applicable to all measured water service.

TERRITORY

In the area known as Arroyo Seco in Monterey County, consisting of approximately 114 acres.

RATES

Annual Minimum Charges:	<u>Per Meter</u> <u>Per Year</u>
For 5/8 x 3/4-inch meter	\$24.00
For 3/4-inch meter	30.00
For 1-inch meter	48.00
For 1 1/2-inch meter	72.00

Each of the foregoing Annual Minimum Charges will entitle the customer to the quantity of water monthly which one-twelfth of that annual minimum charge will purchase at the following Quantity Charges.

Monthly Quantity Charges:

First 800 cubic feet, or less	\$ 2.00
Next 3,200 cubic feet, per 100 cubic feet25
Next 6,000 cubic feet, per 100 cubic feet20
Over 1,000 cubic feet, per 100 cubic feet15

SPECIAL CONDITION

Annual minimum charges are payable in advance for the entire year on January 1, or in two equal installments on January 1 and July 1 of each year. Quantity charges may be billed monthly or quarterly at the option of the company.