

Decision No. 43745

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of HENRY A. FREY, ISABEL FREY and HENRIETTA HANKS, for "A certificate of public convenience and necessity to operate a public utility water system in the Frey Subdivision at Weimar, Placer County, California.

ORIGINAL

Application No. 30526

Leland J. Propp and C.E. Tindall for applicants; Frank G. Finnegan for certain customers; James A. Wheat for Placer County Health Department.

O P I N I O N

Henry A. Frey, Isabel Frey, and Henrietta Hanks, doing business as a partnership, by the above-entitled application filed July 25, 1949, request a certificate of public convenience and necessity to operate a public utility water system, to be known as the Frey Water Company, located in Weimar, Placer County, and to have established therefor the rates attached to the application as Exhibit "B" covering both flat rate and metered service.

A public hearing on this application was held before Examiner Ross on December 22, 1949, at Weimar, California. At the hearing no objections were raised to the granting of the certificate requested.

The Frey Water Company is the sole source of water service to the Frey Subdivision and certain adjacent territory. The territory for which a certificate is requested has an area of approximately 20 acres. As of December 1, 1949, 31 customers were being served, all on a flat rate basis.

The water for this system is obtained from the Pacific Gas and Electric Company's Boardman Canal, which flows past the Frey

Subdivision at its southwest corner. Through a control gate in the canal bank, the water is delivered to an open concrete intake well, from which it is transmitted through a four-inch pipe to two open concrete storage tanks, each of 8,000 gallons' capacity.

A 7½ hp electric motor-driven pump operates automatically between pressures of 75 and 95 pounds, with a 5 hp unit reserved for standby. The entire distribution system consists of about 5,770 feet of pipe lines varying from one inch to three inches in diameter.

It is planned to move the 1,000-gallon pressure tank now installed at the Frey residence to the highest point in the subdivision where another 1,000-gallon pressure tank, now on hand, will also be located. A concrete floor and foundations have already been laid for a second pump house planned for the spring of 1950, in which will be located another pressure tank, and the 5 hp pumping unit will be reinstalled there, together with a rebuilt 3 hp unit for standby.

At the hearing, counsel for applicants asked that the application be amended to request the Commission to establish either the rates in Exhibit "B" attached to the application or other such rates as may be deemed proper by the Commission. It was also indicated that some of the figures contained in the application were only approximate, and not necessarily in exact agreement with more detailed data subsequently supplied to the Commission's engineer at the time of his investigation.

Applicant Henrietta Hanks testified concerning the origin and development of the water system and, in addition to the facilities described hereinabove, stated that a Culligan chlorinating unit had been installed very recently and that metered service would be instituted in the near future. James A. Wheat, Chief Sanitarian of the Placer County Health Department, indicated that a test performed the morning of the hearing showed an insufficient residual concentration of

chlorine for safety. He suggested that the existing unit be inspected and tested to ascertain whether satisfactory operation could be secured, failing which a more satisfactory type of chlorinator, which would cost between \$200 and \$300, should be installed to make the ditch water safe for human consumption. Applicant Hanks agreed to install a new chlorinator, if recommended by Mr. Wheat after his further investigation.

Applicants testified that it was their desire to have included in their certificated area of service the Frey Subdivision as recorded on June 17, 1946, at Page 88 in Book D of Maps, Placer County records, and in addition Lots 9, 10, 11, 12, 29, 30, 31, 32, 33, 62, and 73 recorded on the same map but noted as not being included in the Frey Subdivision. Upon questioning, it was brought out that it was also their desire to include in their dedicated area the so-called La Bonte property on Lot 23 and to the north, as well as the Frey property and rental lots, located north of Lots 53-58 of the subdivision. Applicants further stated they were willing to serve all reasonably accessible property in the area, whether in their certificated territory or not.

Mr. E. Ronald Foster, an engineer in the Hydraulic Division, testified for the Commission staff on historical and estimated future operations of the water system. He stated that when the original pumping plant was installed in 1929, water was supplied by Pacific Gas and Electric Company under an agricultural rate schedule. Since July 1, 1947 water has been billed under the supplier's Schedule No. 8, "Untreated Water - Meter Service" in conjunction with its Rule and Regulation No. 21(a), "Points of Delivery and Measurement of Water." Billings rendered by Pacific Gas and Electric Company to H. A. Frey under the above schedule and rule have been based on multiplying the volume in the first block (1,000 cubic feet per meter per month at \$0.10

per 100 cubic feet) by the number of customers receiving service on the Frey system. A contract dated November 7, 1947 embodying this rate, rule and interpretation, together with certain other conditions not a part of filed rules and regulations, was submitted to this Commission for its approval by Pacific Gas and Electric Company in Application No. 28947; and in Decision No. 42583, dated March 8, 1949, the Commission denied its authorization.

As indicated in the application, it is the intention of applicants to negotiate further with Pacific Gas and Electric Company in an attempt to secure more favorable rate treatment. The Commission's engineer stated that in his estimate of the Frey Water Company's future operations he had included cost of water purchased both under the schedule and rule presently being used and upon the assumption that under the ultimate conditions of service the first block of Schedule No. 8 may not be multiplied by the number of the Frey system's service connections, or, in other words, that the schedule would be applied as service to a single customer.

The staff's estimated reasonable results of operation for the future year reflect the addition of nine customers to the 31 now served. Real estate activities in the Frey Subdivision have been at a standstill pending the outcome of this request for a certificate, and it is anticipated that if it is granted there will be a number of lot sales soon thereafter. Following are tabulated the staff's results upon various bases for the future year:

Item	: Revenues at Present :		: Revenues at Applicants' :	
	: Rates and Water Pur- : Proposed Rates and Water :		: Purchased on Basis of : Purchased on Basis of :	
	: Schedule 8: Single	: Schedule 8 : Single	: Schedule 8 : Single	: Schedule 8 : Single
	: Rule 21(a): Customer	: Rule 21(a) : Customer	: Rule 21(a) : Customer	: Rule 21(a) : Customer
Operating Revenues	\$ 938	\$ 938	\$ 1,174	\$ 1,174
<u>Operating Expenses</u>				
Water purchased for resale	401	109	401	109
Other costs, excluding taxes and depr.	496	496	496	496
Taxes	45	45	45	68
Depreciation Expense (Straight-Line)	341	341	341	341
Total Operating Expenses	1,283	991	1,283	1,014
Net Operating Revenue	(345)	(53)	(109)	160
Average Rate Base, Depreciated	9,052	9,052	9,052	9,052
Rate of Return	(3.81)%	(0.58)%	(1.20)%	1.77%

(Red Figure)

The rate base figures shown in the foregoing tabulation reflect an appraisal by the Commission's engineer of the historical cost of the existing water works as of December 1, 1949, totaling \$8,702.95, including 10% for overhead expense of engineering and development work, as well as organization expense estimated at \$350. An amount of \$2,116.40 was estimated for improvements contemplated to be completed in the near future, yielding a total of \$10,819.35. Allowance for materials and supplies resulted in an undepreciated rate base of \$8,800 as of December 1, 1949 and \$11,000 including near future additions, for an average of \$9,900.

The Commission's engineer recommended a somewhat higher general level of minimum charges than those proposed by applicants for all meter sizes larger than 5/8-inch, the individual suggested minimum charges being itemized in the staff's exhibit. He further recommended that meters be installed on all services to business establishments, with metered service to others at the option of either the customer or the company.

It is concluded that a certificate of public convenience and necessity as requested by applicants should be granted, and the order

will so provide. From the estimated results of future operations testified to by the Commission's engineer, to which applicants offered no objection or conflicting testimony, it appears that the flat rates and meter commodity rates requested will not result in an excessive return on the rate base, are deemed reasonable, and will be ordered. The minimum charges to be authorized, however, will be established at a level higher than requested by applicants for meters larger than 5/8-inch, and in accordance with specific recommendations by the staff at the hearing.

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 Henry A. Frey, Isabel Frey, and Henrietta Hanks in the area described as follows:

The Frey Subdivision as recorded on June 17, 1946, at Page 88 in Book D of Maps, Placer County records, and in addition Lots 9, 10, 11, 12, 29, 30, 31, 32, 33, 62 and 73 recorded on the same map but noted as not being included in the subdivision; also the Frey property to the north of Lots 53 through 58 of the subdivision, and the La Bonte property north of Lot 23 of the subdivision, as more particularly delineated on a map attached to the application as Exhibit "A".

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Henry A. Frey, Isabel Frey, and Henrietta Hanks to operate a public utility water system, under the fictitious firm name and style of Frey Water Company, 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 March 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. File within forty (40) days after the effective date of this order, 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 Los Angeles, California, this 1st day
of February, 1950.

R. F. [Signature]
Justus J. [Signature]
Grant H. [Signature]
Harold [Signature]
[Signature]
Commissioners.

Schedule No. 1

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmeasured water service rendered to residential and commercial consumers.

TERRITORY

Within the boundaries of the Frey Subdivision at Weimar, Placer County, and territory immediately contiguous thereto.

RATES

	<u>Per Service Per Month</u>
For single family dwellings	\$ 2.50
For multiple family dwellings	
For the first unit	2.50
For each additional unit	2.00
For auto courts or motels	
For one or two living units	2.50
For each living unit over two	1.25
For self-service laundries	
For three or less washing units	2.50
For each washing unit over three75
For bars, cafes and restaurants	3.50
For gasoline service stations	3.50
For grocery stores and meat markets	3.00
For general merchandise stores	3.00

SPECIAL CONDITIONS

1. In the event that two types of business or a business and a dwelling unit are located in the same building supplied through a single service, the rates are additive with a reduction of \$0.50 per month.

2. A meter may be installed on any service at the option of either the utility or the consumer; provided, however, that when an applicant or consumer has exercised his option for metered service, such applicant or consumer must agree, while he remains a consumer, to accept service at the applicable meter rates for a period of at least twelve (12) consecutive months.

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured water service rendered to residential and commercial consumers.

TERRITORY

Within the boundaries of the Frey Subdivision at Weimar, Placer County, and territory immediately contiguous thereto.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 600 cubic feet or less	\$ 2.10
Next 1,400 cubic feet, per 100 cubic feet30
Next 3,000 cubic feet, per 100 cubic feet25
Over 5,000 cubic feet, per 100 cubic feet18
Minimum Charge:	
For 5/8-inch meter	2.10
For 3/4-inch meter	3.50
For 1-inch meter	5.25
For 1 1/2-inch meter	9.00
For 2-inch meter	13.50

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.