

Decision No. 44970

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 ORAL H. ATCHISON, an individual doing
 business as CALIMAR WATER CO., for a
 Certificate of Public Convenience and
 Necessity to Operate a Public Utility
 Water System.

Application No. 31532

Deadrich, Gill & Bates, by Kenneth Bates,
 for applicant.

O P I N I O N

Oral H. Atchison, doing business as Calimar Water Co., by the above-entitled application filed June 24, 1950, requests an order of the Commission granting to applicant a certificate of public convenience and necessity to operate a public utility water system within Tracts 1443, 1509, 1569, and 1574, located in Kern County approximately 5 miles southeast of the center of Bakersfield, California. A map showing the water system and a schedule of requested rates are attached to the application and marked Exhibits "A" and "C," respectively. A public hearing on this application was held before Examiner Edwards on October 3, 1950, at Bakersfield, California. At this hearing, applicant filed a copy of a franchise granted by Kern County Board of Supervisors, as Exhibit 1, authorizing the construction and operation of a water pipe line on Planz Road.

Applicant's system for production and distribution of water consists of two wells with pumps and pressure tanks, and 14,699 feet of pipe. Well No. 1 is equipped with a 5 hp motor and 1,500-gallon pressure tank. Well No. 2 is to be equipped with a 7½ hp motor and

2,500-gallon pressure tank. The two wells are interconnected by a 4-inch pipe. For distribution along the streets and rear property lines, applicant has installed 2-inch, 3-inch, and 3½-inch pipe. As of October 1, 1950, approximately 134 customers were being served under flat rates at the level proposed in this application.

The basic flat rates requested by applicant are \$3 per month for residences and \$5 per month for business users. Where a business place has only toilet facilities, a \$3 rate is proposed. Applicant is also requesting a schedule of meter rates with a \$3 minimum charge and quantity rates which start at 20 cents per 100 cubic feet for the first 500 cubic feet and successively step down to a terminal charge of 8 cents per 100 cubic feet for all over 4,000 cubic feet per month. Service charges are proposed in the amount of \$7 for hookup and tie-in, \$1 for cutoff because of non-payment of bills, and \$1 for hookup after renewal of service.

The cost to applicant of this system, based on the figures contained in Exhibit "B" of the application and testimony of applicant, may be summarized as follows:

<u>Description</u>	<u>Date Acquired</u>	<u>Cost</u>
Water Lines and System	January, 1950	\$6,371.70
Pump - 5 hp	January, 1950	931.24
Well	May, 1950	945.80
Pump - 7 hp	May, 1950	377.67
Tank	May, 1950	275.00
3 Lots (Pump Sites)	January, 1950	<u>3,145.00</u>
Total		12,046.41

In addition to this amount, applicant has made additional investment (not shown) in service connections and mains since acquiring the water system in January, 1950. A part of the pipe in the system is new pipe and the remainder is used pipe.

Applicant also claims that his 1946 Buick automobile, which he uses in this business, is worth \$1,250. In addition, he has an old work car, but did not list it as a utility asset.

Applicant's Exhibit 3 indicates that for the month of June, 1950, the system operating revenue was \$324.22, the expense \$185.45, leaving a net of \$138.77; for July, the revenue was \$381, the expense \$645.22, indicating a loss of \$264.22. For the 10 months ending October 1, 1950, applicant's Exhibit 4 indicates a revenue of \$4,324.12, an expense of \$3,915.57, leaving a net revenue of \$408.65. Applicant testified that these expenses did not reflect any charges for the approximate 40 hours per week of time which he spent working on the system, making out bills and collecting the revenue. However, applicant did indicate that this work was done in his spare time from his regular employment in the hardwood flooring business.

Capital to finance this system has been supplied either by the applicant or borrowed on a long-term basis from the tract subdivider, Andrews and Lancaster. These loans from the subdivider have been obtained without any interest requirement. Applicant testified that if such loans were obtained from a bank, he would be required to pay interest at the rate of 6% per annum. Inasmuch as the applicant has the backing of the subdivider, as well as the fact that he does not depend upon the revenue from this small water operation for his livelihood, it is believed that the applicant is financially able to extend, place, and keep this system in good operating condition. On well No. 2, the applicant has temporarily installed a gasoline engine to drive the pump. Electric service has just been installed in the area; and within a few days, an electric motor will be installed to replace the gasoline engine. The replacement of the gas engine with an electric motor should reduce the operating expenses

and wages in the future. Applicant was questioned as to whether or not he expected to earn a return on the investment during the developmental stage of the tract. He stated that he expected to earn some return during this period.

The County of Kern, through Ordinance F-10, on November 28, 1949, granted a franchise to Howard W. Andrews to install pipe along Planz Road in this area. On June 26, 1950, Mr. Andrews transferred this franchise to applicant, and easements have been reserved in the rear property lines for utilities. No other water system renders service within the area to be covered by this certificate. Authority to exercise this franchise will be granted herein.

Applicant claims he has complied with the Pure Water Law of the State of California, and has obtained the necessary tests as to the purity of the water from the County Health Department.

Several customers appeared at the hearing and entered protests as to the proposed level of rates and the proposed service connection charges. These customers also indicated that there is sand and rust in the water, and many stated that the water is not potable. Complaints as to low pressure also were made. Another matter of concern was the fact that all services did not have shutoff valves at the property line. There was also complaint as to the lack of fire hydrant service in the area.

Applicant testified that the pressure will be improved as soon as both pumps are electrified and can be set so as automatically to maintain the system pressure at about 30 to 40 pounds per square inch. With the present gasoline engine on well No. 2, it has not been possible to maintain pressure at all hours because this equipment had to be shut down each night.

Well No. 1 is shallow and throws out considerable sand. While elimination of long periods of nonpumping through continuous

operation by electric motor should reduce the volume of sand discharged, it is clear that this well is not economical in yield or performance and should be replaced as soon as finances will permit with a deeper well of larger capacity. In the meantime, the distribution mains should be flushed at least once a week to eliminate sand and sediment. This program should be continued for a period of sixty days, after which applicant will be required to install sand traps if the sand and sediment have not been satisfactorily eliminated from the system.

In response to the complaint that the water is not potable, the Supervisor of Water and Sewage from the Kern County Health Department, Mr. Ray LaVallee, stated that several tests of this water had been made but these were negative in so far as harmful bacteria were concerned. Mr. LaVallee indicated that if the pressure in the system were continuously maintained 24 hours a day, the water system would comply with all of the requirements of the County Health Department.

In analyzing this application, we are of the opinion that the customers located in the present service area need public utility water service. Furthermore, we believe that applicant can provide the service and has the financial means to deliver a potable supply of water. Applicant has not been keeping records of capital and expenses in accordance with the Commission's prescribed accounting system. No record of consumer donations for new service connections was shown and some of applicant's cost figures are questionable as to their applicability to the utility service. Apparently, a portion of the legitimate expenses of operation has not been placed on the books nor shown in the statements of the utility. We expect that the unit per consumer cost to render service will decrease in the future

after the automatic electric motors are connected to the pumps. However, applicant did not present any estimate of the expenses and revenues for the next 12 months which would justify the present level of rates of \$3 per consumer per month in the future. Because of the fact that a number of consumers protested this rate level, as well as the fact that the service in the past has not been of such caliber as to warrant such a level of rates, the Commission is reducing applicant's requested \$3 residence rate to \$2.50 per month. Most other rates requested are being reduced in proportion or set at ^{an} level proposed. No future new service connection charge is being authorized as this is a proper item of capital for the utility. No fire hydrant rates are being set at this time as this matter should first be negotiated with the local county fire district and rates filed later. Provisions are added to the rates covering multiple dwellings, irrigation service, and cooling units. Quantity rates under the meter schedule are set at a level to be in balance with the flat rates.

The Commission's action in setting the level of the rate is not based upon the theory of yielding the water company a full rate of return on its investment during the developmental period. During this period we believe sufficient revenues will be obtained to pay all expenses and permit some return on the investment. Just as soon as the applicant places his books and accounting system in proper order and obtains several months' operating experience as a certificated public utility, the question of proper rate level for the future can be more accurately determined.

It is recommended that applicant install shutoff valves on all services and place suitable fences around the pumps to prevent accidents. All hazards outside of the fence, such as exposed wiring

or equipment should be removed. Both pumps should be operated at all times in order to maintain satisfactory pressure at the extremities of the distribution system.

The certificate of public convenience and necessity granted herein is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchise or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, 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 require the exercise by applicant of the right, privilege, and franchise granted to Oral H. Atchison as successor to Howard W. Andrews, by Ordinance No. F-10 of the Board of Supervisors of Kern County.

IT IS HEREBY FURTHER FOUND AS A FACT that public convenience and necessity will require the construction and operation of a public utility water system by Oral H. Atchison in Kern County near the City of Bakersfield in an area set forth in a map marked Exhibit "A" in this proceeding, within Tracts 1443, 1509, 1569, and 1574 of Kern County; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted Oral H. Atchison, an individual doing business as Calimar Water Company, to construct

and operate a public utility system for the distribution and sale of water within the territory hereinbefore described, and to exercise the right, privilege, and franchise granted by Ordinance No. F-10, adopted November 28, 1949, by the Board of Supervisors of Kern County, subject, however, to the following conditions:

- (a) That Calimar Water Company shall not exercise said franchise for the purpose of supplying water in those parts or portions of Kern County not now served by it, except through extensions of its existing system made in the ordinary course of business as contemplated by Section 50(a) of the Public Utilities Act.
- (b) That Calimar Water Company shall not exercise said franchise for the purpose of supplying water in those parts or portions of Kern County beyond the limits of Tracts 1443, 1509, 1569, and 1574, except upon further certificate of this Commission first obtained.
- (c) That the Commission may hereafter by appropriate proceeding and order limit the authority herein granted to applicant as to any territory within said county not then being served by it.

IT IS HEREBY FURTHER ORDERED that applicant shall:

- 1. File the rates set forth in Exhibit A attached to this order, within five (5) days after the effective date of this order, in conformity with General Order No. 96, and make such rates effective for service rendered on and after December 1, 1950.
- 2. File a set of rules and regulations and tariff service area map acceptable to this Commission within five (5) days after the effective date of this order and in accordance with the requirements of General Order No. 96.
- 3. File, within forty (40) days after the system is placed in operation, four copies of a comprehensive map, drawn to an indicated scale of approximately 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.
- 4. Flush all water mains at least once each week to remove sand and sediment therein. Flushing shall commence immediately after the effective date of this order and continue for a period of sixty (60) days thereafter, or until said sand and sediment have been satisfactorily eliminated from the mains.

Schedule No. 1

FLAT RATE SERVICEAPPLICABILITY

Applicable to domestic and commercial water service on a flat rate basis.

TERRITORY

Within Tracts 1443, 1509, 1569, and 1574, located in Kern County approximately 5 miles southeast of center of Bakersfield.

RATES

For a connection of 3/4 inch, or less

	<u>Per Month</u>
1. For one dwelling, house or single unit, including reasonable and necessary quantities of water for an irrigated area of not over 6,000 square feet of lawns, gardens, shrubbery, and trees	\$2.50
2. For next two dwellings, houses or single units on same lot taking service through same connection, per residential unit	1.75
3. For each additional residence all over three dwellings, houses or single units on same lot taking service through same connection	1.25
4. For each store or office not using more than 800 cubic feet per month	3.00
5. For each restaurant; service station; or business place, store or office, using more than 800 cubic feet per month	5.00
6. For each first unit of a hotel or motel, including office and utility rooms	5.00
7. For each additional unit	1.00
8. For irrigation of grounds planted to lawns, gardens, shrubbery, and trees in excess of the 6,000 square feet included in the dwelling rate, for six (6) months of the year from May to October (both inclusive), per 100 square feet	0.05
9. For each window-box type air cooling unit, in addition to the dwelling rate, a charge will be made during months of use which will be considered as the months of May, June, July, August, September, and October, except where the consumer notifies the company as to the months during the above period the unit will not be in service, provided the unit is disconnected during such months, subject to inspection by company's representatives,	
Circulating type	0.25
Noncirculating type	0.50

Schedule No. 1

FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS

1. For a connection of one (1) inch, the above rates will be increased by one-half (1/2).

2. All service not covered by the above classifications will only be furnished on a metered basis.

3. Meters may be installed at option of utility or customer for above classifications, in which event service will thereafter be rendered only on the basis of Schedule No. 2, General Metered Service.

Schedule No. 2

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all domestic, commercial and industrial water service furnished on a metered basis.

TERRITORY

Within Tracts 1443, 1509, 1569, and 1574, located in Kern County approximately 5 miles southeast of the center of Bakersfield.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 800 cubic feet per month, or less	\$2.50
Next 1,200 cubic feet per month, per 100 cubic feet	0.20
Next 2,000 cubic feet per month, per 100 cubic feet	0.15
Over 4,000 cubic feet per month, per 100 cubic feet	0.12
 Minimum Charges:	
For 5/8 x 3/4-inch meter	2.50
For 3/4-inch meter	3.50
For 1-inch meter	5.00

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

- 5. In the event the flushing of mains as ordered in the preceding paragraph fails to eliminate sand and sediment, applicant shall install a suitable sand trap or traps at the well or wells discharging sand, said sand traps to be installed and in satisfactory operation within ninety (90) days after the effective date of this order.
- 6. Equip all service connections with a shutoff valve on or before six (6) months after the effective date of this order.
- 7. File a progress report with this Commission beginning December 1, 1950, and continuing monthly thereafter until all service connections have been equipped with shutoff valves and sand has been eliminated from the distribution system, or unless otherwise relieved by this Commission.

The authorization herein granted will lapse if not exercised within one (1) year from the date hereof.

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

Dated at San Francisco, California, this 30th day of October, 1950.

R. E. Anderson
Matthew J. Calver
Frank H. Powell
Harold P. Kula
Kenneth P. Potter
 Commissioners.