

Decision No. 49390**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 EVERETT M. JONES and BERT I. JONES,)
 for a Certificate of Public Conven-)
 ience and Necessity to operate a)
 water system in the Parkwood Subdi-)
 vision, Madera County, under the)
 provisions of Sections 1001-1005 of)
 the Public Utilities Code.)

Application No. 34546
 (Amended)

Coffee and Wolfe, Attorneys at Law, by
Everett L. Coffee, for applicants.
Clyde F. Norris, for Commission staff.

O P I N I O N

This proceeding was begun by the applicants, who are brothers and joint enterprisers, as part of a plan to develop about 180 acres of land near Madera for residential use. The property formerly belonged, and most of it still belongs, to Darwin G. Shebelut and wife who will be referred to at times as "landowner."

A public hearing was held before Examiner Power at the Madera City Hall on October 8, 1953 and the matter submitted.

At the hearing the applicants amended their request both orally and by a formal writing. As amended, the request is for a certificate of public convenience and necessity to construct and operate a public utility water system and to exercise franchises to be granted by the County of Madera and for authority to issue securities.

Location of Property

The property here involved is located in Section 31, Township 11 South, Range 18 East, M.D.B. & M. This area is roughly one mile south of Madera, the seat of Madera County. A road called

Madera Avenue runs along the west side of the property. Another called road No. 13-E runs along the north side.

So far, about 20.9 acres have been platted and filed. The area is called Parkwood Subdivision No. 1. It consists of 48 lots 75 by 135 feet and a shopping area on the west side of the tract 660 by 360 feet. A well lot 25 by 50 feet is located in the southeast corner of the shopping area.

The parties plan to subdivide portions of the larger area as needed. They already have definite plans to file the 21-acre parcel immediately south of Parkwood Subdivision No. 1 when most of the present lots are sold. This block is to be known as Parkwood Subdivision No. 2 and will consist of 72 lots.

Water System

The water for the system will come from a 10-inch well 100 feet deep. The well is equipped with a 20-hp electric motor directly connected with a deep-well turbine pump. The water from the well will be pumped into a 2,500-gallon pressure tank and thence delivered to the customers in Parkwood Subdivisions Nos. 1 and 2. The distribution system will consist of a 900-foot north-south 6-inch line and 5,400 feet of 4-inch pipe. Pipe is 10-gauge steel, dipped and wrapped. The Madera County Health Department has tested the water from the storage tank and found it safe for human consumption.

The water system was installed by the landowner who was called as a witness and testified respecting the cost which he said was as follows:

Well, complete	\$ 2,519.31
Pump, switch, pressure tank & fittings	3,428.79
Distribution system, Parkwood No. 1	<u>5,490.00</u>
Subtotal	11,438.10
Distribution system, Parkwood No. 2 (est.)	<u>6,500.00</u>
Total	17,938.10

There are four dead ends in Parkwood No. 1 and the same number in Parkwood No. 2. Six have fire hydrants at the dead end, two do not. The waterworks industry and this Commission have favored completely circulating systems. Both from the cost and sanitary standpoints the latter are far superior. In the order which follows applicants will be required to eliminate the existing dead ends and, during the time required therefore, put into effect and carry out a satisfactory main-flushing program in lieu thereof.

Certificate

The original application herein requested a certificate for Parkwood Subdivisions Nos. 1 and 2, an area of about 41.8 acres. At the hearing, by oral amendment, the application was enlarged to cover the landowner's entire tract.

As justification for this, applicants point to Paragraph 13 of their agreement with the landowner in which they are given a 3-year option on the entire tract.

Development of the entire tract would produce about 600 potential services. The landowner has developed two wells which he now uses for irrigation. Both are 500 feet deep and 14 inches in size. One now develops 750 gallons per minute, the other about 500 to 600 gallons. Naturally, these amounts are not delivered against pressure. The landowner, in his testimony, indicated that these wells would be made available to the utility as needed.

It would therefore appear that, first, the present water supply is adequate for Parkwood Nos. 1 and 2; second, the present well could not serve the whole 180-acre tract; third, the three wells together could serve the larger tract. We will therefore grant a certificate at this time for Parkwood Nos. 1 and 2.

Should applicants desire to extend their system beyond Parkwood

Subdivisions Nos. 1 and 2 in the future, they should, before extending, take care to add sufficient additional supplies of water to assure adequate supply and pressure throughout the enlarged area. ✓

At the time of the hearing the necessary franchises had been applied for but not granted by the county. The order herein will contain an appropriate provision under Section 1003 of the Public Utilities Code. For the most part this system will lay its lines along easements which will be reserved.

Rates

Applicants proposed both flat and meter rate schedules. For the standard residential connection of 3/4 inch, \$3 per month is proposed for flat rate service, which is reasonable and will be authorized. The proposed flat rate of \$3.50 per month for a 1-inch connection is not related correctly either to the 3/4-inch rate or to the proposed meter schedules and will not be authorized. One-inch connections will be taken care of in the meter schedules and no flat rate will be authorized for them.

Applicants proposed minimum meter rates for eight sizes of meters. These minimum meter rates and the quantity rates proposed by applicants seem reasonable and will be authorized. Applicants desire to bill on a bimonthly basis. This they can accomplish by filing an appropriate rule and regulation.

There is nothing in the record respecting operating experience to support the rates proposed by applicants. Such evidence will only become available as this system is developed. The rates set forth in Appendix A generally compare favorably with rates which this Commission has authorized other water utilities in the area to charge. These rates are hereby found to be reasonable and applicants will be authorized to charge the rates set forth in Appendix A.

Securities

The record shows that applicants, in acquiring the real property referred to in this proceeding, which will constitute their service area, executed a deed of trust to secure the payment of a note in the principal amount of \$26,500 in favor of Darwin G. Shebelut and Wilma M. Shebelut, and that the properties comprising the water system also were subjected to the lien of the indenture. It clearly appears that the execution of the instrument and the issue of the note were required in order to permit applicants to proceed with the development of the territory and the installation of the water system to serve the prospective residents in the proposed service area. According to the amended application, the value of the real properties covered by the deed of trust, which properties consist of 47 lots of the value of \$850 each, is \$39,950 and the reported cost of the waterworks is \$17,938, making a total of \$57,888.

The evidence in this proceeding clearly shows that the water system is an integral part of the development of the Parkwood Subdivision. While it might indeed be preferable for the water properties to be excluded from the lien of the deed of trust, the record is clear that there is a need for water service in the proposed service area, that the growth in the area will require the full utilization of the system, and that applicants are in a position to furnish such service and to meet their obligations under the proposed financing. It does not seem that there should be any detriment accruing to the customers of the water system as a result of the method under which its acquisition by applicants is being financed. Moreover, the provisions of the deed of trust provide for its extinguishment as lots are sold, so that with full occupancy of the tract the obligation will be discharged.

Applicants did not obtain from this Commission authorization to create a lien on the waterworks properties and to that extent such deed is void. Accordingly, we suggest that applicants re-execute the deed of trust following the effective date of the order in this decision, and reissue the note. The order herein will authorize them so to do, it being our opinion that the money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required by applicants for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

The action taken herein shall not be construed to be a finding of the value of the properties referred to in this proceeding. The authorization granted to execute a deed of trust and to issue a note in no way commits the Commission to fix rates or to take any other action to enable applicants to comply with the terms and provisions of them.

Financial Ability

The record shows that applicants have the requisite financial ability to develop the public utility water system as proposed.

Conclusion

The Commission has considered the request of applicants for a certificate of public convenience and necessity to construct and operate a public utility water system and is of the opinion that it should be granted.

The certificate 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.

The Commission is also of the opinion that public convenience and necessity require it to make an order declaring that upon applicants' filing a supplemental application to which is attached a copy of whatever franchise or permit may have been issued to enable them to lay mains in the county roads, the Commission will issue a certificate of public convenience and necessity authorizing applicants to exercise such franchise upon such terms and conditions as the Commission may designate.

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 will require the construction and operation of a public utility water system within Parkwood Subdivisions Nos. 1 and 2, Madera County.

1. IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Everett M. Jones and Bert I. Jones to construct and operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.
2. IT IS HEREBY FURTHER ORDERED that upon the filing by applicants of a supplemental application to which is attached a copy of such franchise or permit as may then have been issued to applicants, the Commission will issue a certificate of public convenience and necessity authorizing applicants to exercise such franchise or permit upon such terms and conditions as the Commission may designate.

3. IT IS HEREBY FURTHER ORDERED that within ninety days after the effective date of this order applicants shall eliminate all dead ends in their present water system so as to make it completely circulating and, within ten days after the completion thereof, notify this Commission in writing of their compliance herewith. Applicants shall, within ten days after the effective date of this order, provide means of flushing at each dead end in the shopping center in Parkwood Subdivision No. 1 and carry out a regular main-flushing program for each dead end in the water system until said dead ends have been eliminated as hereinabove ordered.
4. IT IS HEREBY FURTHER ORDERED that applicants shall:
 - a. File with this Commission, within thirty days after the effective date of this order, in conformance with the provisions of General Order No. 96, four copies of the schedule of rates attached hereto as Appendix A, together with four copies of rules and regulations and tariff service area map, and, on not less than five days' notice to the public and this Commission, make said rates, rules and regulations effective for all water service rendered on or after the effective date of this order.
 - b. File with this Commission, within forty days after the effective date of this order, four copies of a comprehensive map drawn to an indicated scale not smaller than 100 feet to the inch, delineating by appropriate markings the tract of land and the territory served and the location of property of applicants.
5. IT IS HEREBY FURTHER ORDERED that Everett M. Jones and Bert I. Jones, after the effective date hereof, may execute a deed of trust and may issue a promissory note in the principal amount of \$26,500 for the purpose indicated in the preceding opinion, which deed of trust and note shall be in, or substantially in, the same form as those filed in this proceeding.
6. IT IS HEREBY FURTHER ORDERED that within thirty days after the issue of the note under the authorization herein granted, applicants shall file with the Commission a copy of the same as actually issued.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Parkwood Subdivision, located approximately one mile south of the City of Madera, Madera County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 800 cu.ft. or less	\$2.00
Next 4,200 cu.ft., per 100 cu.ft.15
Over 5,000 cu.ft., per 100 cu.ft.075
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$2.00
For 3/4-inch meter	3.00
For 1-inch meter	4.50
For 1-1/2-inch meter	7.00
For 2-inch meter	14.00
For 3-inch meter	25.00
For 4-inch meter	40.00
For 6-inch meter	70.00

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

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all water furnished on a flat rate basis.

TERRITORY

The unincorporated area known as Parkwood Subdivision, located approximately one mile south of the City of Madera, Madera County.

RATES

	<u>Per Month</u>
Size of connection:	
3/4-inch	\$3.00

SPECIAL CONDITIONS

1. All service not covered by the above classification will be furnished only on a metered basis.
2. Meters may be installed at option of utility or customer for above classification, in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.

7. IT IS HEREBY FURTHER ORDERED that the authority herein granted will become effective when Everett M. Jones and Bert I. Jones have paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$27.

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

Dated at Los Angeles, California, this 1st day of December, 1953.

R. Z. [Signature]
President

Justin D. [Signature]

[Signature]

[Signature]

Verne [Signature]
Commissioners

