

ORIGINAL

Decision No. 52270

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of)
 DAROLD W. MacDANNALD and MARION L.)
 MacDANNALD, dba MORADA ACRES WATER)
 COMPANY, for a certificate of pub-)
 lic convenience and necessity to)
 operate a public utility water)
 system; and to establish rates)
 for water service in the tract of)
 lots known as Morada Acres No. 2.)

Application No. 37204

Darold W. MacDannald, for applicants;
W. E. Stradley and John F. Donovan, for
 the Commission staff.

O P I N I O N

Darold W. MacDannald and Marion L. MacDannald, doing business as Morada Acres Water Company, by the above-entitled application filed on August 12, 1955, request a certificate of public convenience and necessity to operate a public utility water system in Morada Acres No. 2 Subdivision, located in San Joaquin County some 4 miles north of the City of Stockton and as shown in "Exhibit A" attached to the application. Applicants also request approval of a schedule of rates as set forth in "Exhibit C" attached to the application.

Public Hearing

After due notice public hearing on this application was held before Examiner M. W. Edwards, on October 13, 1955, at Stockton, California. Testimony was presented by one of the applicants and three exhibits were introduced. Exhibit No. 1 showed a changed location for mains; Exhibit No. 2 showed that the expenditures to date were some \$500 in excess of the estimated cost of \$9,432.79 set forth in the application; and Exhibit No. 3 showed that D. W. MacDannald's

capital was \$31,060.84 in the Keyes Water Company, presently owned by the witness. Staff representatives cross-examined the witness for the purpose of developing in the record all pertinent information for the Commission to consider in deciding this matter. No one present at the hearing objected to the granting of the certificate.

Description of System

The source of water supply for the area, a well located on Lot "A", is 145 feet in depth, with a 12-inch casing. This well will have a 15-hp deep-well turbine pump, capable of producing up to 230 gallons of water per minute at a pressure of 38 to 55 pounds per square inch. The pump is to be automatically controlled and will pump into a 2,500-gallon pressure tank.

The distribution system mains will consist of 543 feet of 6- and 5½-inch O. D. pipe, and 1,980 feet of 4-inch O. D. pipe. The pipe is to be of welded steel construction, tar dipped and wrapped, and buried not less than 30 inches deep. Applicants expect that when the entire tract is sold there will be a total of 32 domestic water customers. Applicants state that the subdivider has an option on adjacent property and, in the event that the tract sells in a satisfactory manner, an identical subdivision will be made next year. Applicants propose that the added area, if and when developed, be served by the Morada Acres Water Company which may reduce overhead and costs of operation and make a rate adjustment possible at that time.

Cost of System

Applicants' witness stated that in round figures the cost of the proposed system is \$10,000 and it may be segregated approximately as follows:

Pump	\$ 1,850
Tank	900
Well	850
Lot "A" for well and pump ...	500
Improvements on lot	1,260
Pipe	3,412
Ditching and labor	1,066
Application fee	50
Stenographer's and Attorney's fees	50
Supervision and travel expense	62
Total	<u>\$10,000</u>

With regard to the method of financing the utility system, applicants' witness testified that they have already expended approximately \$4,000 of their own money, that the subdivider provided the lot and well (worth \$1,350) and that the subdivider will contribute \$100 per lot toward the cost of the system.

Proposed Rates for Service

Applicants propose monthly flat rates for service of \$4.50 for 3/4-inch service connection, \$6 for 1-inch and \$9 for 1 1/2-inch. Applicants also propose that meters may be installed at option of the utility only, in which event the following rates would apply:

Quantity Rates:

	<u>Per Meter Per Month</u>
First 600 cu.ft. or less	\$ 3.50
Next 1,400 cu.ft., per 100 cu.ft.45
Next 2,000 cu.ft., per 100 cu.ft.40
Next 3,000 cu.ft., per 100 cu.ft.35
Over 7,000 cu.ft., per 100 cu.ft.30

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.50
For 3/4-inch meter	4.00
For 1-inch meter	6.50
For 1 1/2-inch meter	12.50

In addition to domestic service applicants propose to render fire hydrant service at \$1 per month per hydrant.

Operating Revenues and Expenses

The witness estimated the revenue would be \$180 per month on the basis of 30 customers at \$6 each. The monthly expenses, exclusive of manager's salary, are estimated to be:

	<u>Per Month</u>
Power bill for pumping	\$ 65.00
Depreciation at 4% per year	34.00
Interest on investment at 6%	50.00
Maintenance, billing and overhead	15.00
Total	<u>\$164.00</u>

This leaves \$16 per month for the manager's salary. The witness stated that he would devote part of his time to managing this system, the remainder being spent on his Keyes Water System near Modesto, that a pump company in Stockton will be on 24-hour call for emergencies and that the books of the company will be kept by an accountant in Stockton.

A staff representative cross-examined the witness at some length regarding the proposed method of keeping records and preparing reports for submission to the Commission. It appears that the Keyes Water Company has been very tardy in presenting annual reports to the Commission. This has caused the State extra expense each year in investigating and trying to determine the reason for the delay in preparing the annual report. The witness testified that he was familiar with the Commission's rules and regulations regarding the keeping of records and filing of reports. The staff representative was apprehensive that the Morada Acres Water Company records and reports might be kept in the same manner and suggested safeguards in the order to require the applicants to file their reports by the due date.

Miscellaneous Items

Applicants' witness stated that there are no other water utilities within one mile of the area for which a certificate is

requested and that this system will not compete with any other water systems.

With regard to the purity of the water, the witness stated that it will be tested by the County Health Authorities and that a good, safe, potable water will be furnished. Also the witness stated that no sewage lines or cesspools will be permitted within 50 feet of the well.

Applicants contend that no franchise or permit is required by the County of San Joaquin to install and operate the system. According to the map, easements have been provided on the lots for utility facilities and the water company will own the lot on which the well and pump are located.

Conclusions

The fundamental duty of a public utility is that it furnish an adequate and a continuing service to the public at reasonable rates. The prospective utility should have some probability of successful operations if the public interest is adequately to be served. The public interest is paramount and it is the Commission's duty to protect that interest. It is the opinion of the Commission that the applicants, after allowing for the subdivider's contributions, have the financial means to install the system and place it in successful operation.

The flat rate charges proposed by applicants do not appear to be unreasonably high based on the estimated expenses. If more customers can be obtained from adjacent developments, or if the actual expenses are lower than estimated, lower flat rates may be possible in the future as suggested in the application. In the meantime it would appear reasonable to set meter rates at a level comparable with rates of other utilities of like nature operating under generally similar conditions.

Accordingly, we have adjusted downward the proposed quantity rates and have revised the minimum charges for the various sizes of meters to correspond more closely to the quantity of water allowed for the minimum charge for each particular meter size.

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 charges) 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 require the construction, operation and maintenance of a public utility water system by Darold W. MacDannald and Marian L. MacDannald, doing business as the Morada Acres Water Company, in Morada Acres No. 2 Subdivision in the area more particularly delineated by map marked "Exhibit A" attached to the application and as described in the application; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Darold W. MacDannald and Marian L. MacDannald, doing business as Morada Acres Water Company to construct, operate and maintain a public utility water system for the distribution and sale of water within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED as follows:

1. Applicants are authorized to file after the effective date of this order, the rates set forth in Appendix A attached to this order, to be effective on or before service is first rendered to the public under the rates authorized herein, together with rules and tariff service area map acceptable this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
2. Applicants shall file within thirty days after the system is placed in operation under the rates and rules authorized herein, four copies of a comprehensive map drawn to an indicated scale not smaller than 100 feet to the inch delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicants.
3. Applicants shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.
4. Applicants shall base the accruals to depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.
5. Applicants shall maintain records and render reports as required by Sections 792 and 584 of the Public Utilities Code and by the Uniform System of Accounts for Water Utilities (Class D) prescribed by the Commission, effective January 1, 1955.

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

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

Dated at San Francisco, California, this 22nd day of November, 1955.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]

Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Morada Acres No. 2, and vicinity, located one half mile east of U. S. Highway 99, approximately 4 miles north of Stockton, San Joaquin County.

RATES

Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First	700 cu.ft. or less	\$ 3.50
Next	1,300 cu.ft., per 100 cu.ft.35
Next	2,000 cu.ft., per 100 cu.ft.30
Next	6,000 cu.ft., per 100 cu.ft.25
Over	10,000 cu.ft., per 100 cu.ft.20
 Minimum Charge:		
For	5/8 x 3/4-inch meter	\$ 3.50
For	3/4-inch meter	4.25
For	1-inch meter	6.50
For	1 1/2-inch meter	12.00

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

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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all water service furnished to residential customers on a flat rate basis.

TERRITORY

The unincorporated area known as Morada Acres No. 2, and vicinity, located one half mile east of U. S. Highway 99, approximately 4 miles north of Stockton, San Joaquin County.

RATES

Per Service Connection
Per Month

For each single family residence including premises not exceeding 17,000 sq.ft. in area served by:

3/4-inch service connection	\$4.50
1-inch service connection	6.00
1 1/2-inch service connection	9.00

In addition, for each 100 sq.ft. of area in excess of 17,000 sq.ft.03
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SPECIAL CONDITION

Meters may be installed at option of utility for above classifications, in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to public fire hydrant service furnished to duly organized or incorporated fire districts, or other political subdivisions of the State.

TERRITORY

The unincorporated area known as Morada Acres No. 2, and vicinity, located one half mile east of U. S. Highway 99, approximately 4 miles north of Stockton, San Joaquin County.

RATE

Per Month

For each hydrant \$1.00

SPECIAL CONDITIONS

1. The cost of installation and maintenance of hydrants will be borne by the utility.
2. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.