

Decision No. 53233

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CREST WATER CO., a)
 California corporation, for a cer-)
 tificate of convenience and neces-)
 sity to construct and operate a)
 water distribution system, and)

Application No. 37744

Application of CREST WATER CO., a)
 California corporation, for)
 authority to issue and sell its)
 capital stock.)

William Stava, for applicant;
W. B. Stradley, for the Commission staff.

O P I N I O N

This application was filed on February 14, 1956. Applicant seeks certificates of public convenience and necessity as a public utility water service and to exercise a franchise granted by the board of supervisors of the County of Kern. Applicant also seeks permission to issue capital stock and establish rates for its soon-to-be-constructed system.

A public hearing was held on the application before Commissioner Untereiner and Examiner Power at Bakersfield on April 11, 1956. Applicant presented five witnesses who included its president, a geologist and an engineer. Eighteen exhibits were presented by the witnesses and received in evidence. An engineer from the Commission staff assisted in developing the record.

Three corporations are participating in the development of the area. Cencal Development Company (Cencal) owns the land. Mobilhome Corporation (Mobilhome) will be the contractor and subdivider. Applicant (Crest) will furnish water.

Proposed Service Area

The area that Crest seeks to serve is a development called College Crest. When fully developed the service area will include all of the North Half (N $\frac{1}{2}$) of Section 15, Township 29 South, Range 28 East, M. D. B. & M. The development will therefore consist of approximately 320 acres. It is proposed to subdivide this into 994 residential lots with 18 acres reserved for a shopping district. Minor changes may be made in these plans as the various units are finally platted. It is presently planned to complete the project in about three years.

The area is bounded on the west by Mt. Vernon Avenue and just west of that is Bakersfield College. The land in this development varies in elevation from 705 to 825 feet above sea level in elevation according to the engineer witness. It lies south of Kern River. In the immediate area the river elevations are from 450 to 440 feet. (For comparison purposes the Bakersfield railway stations are both stated to be at the 417-foot level.) From the river, sharp bluffs, called the China Bluffs, rise to the service area. The easterly boundary of a portion of the City of Bakersfield adjoins the area. However, there is a near-term possibility that these city limits may soon include College Crest.

The Water System

The water supply is to be produced from three wells. One of these is now in existence. Two are to be drilled as needed. These wells are, or will be, equipped with deep well turbine pumps driven by electric motors of 100, 150 and 150 horsepower, respectively. To provide an emergency standby source of water supply applicant proposes to install, in the near future, a standby connection with the Bakersfield College water system. A 1,000-barrel tank will be installed for aeration.

A master storage area will be located in the higher portion of the tract. When complete it will have two, 500,000- and two, 250,000-gallon tanks. The system is designed to produce about 3 gallons per minute per consumer. It is presently planned to install at Well No. 1 a 30-horsepower booster pump which will later be moved to the master storage area where two others of the same capacity will be installed. Four, 10,000-gallon pressure tanks will be installed. Because of the variance in elevation, pressure regulators are to be installed to reduce the pressure in certain locations.

Distribution of water will be effected through asbestos cement pipe of 12-, 10-, 8-, 6- and 4-inch diameters as needed. Three fourth-inch service connections will be provided to each residential lot. Fire hydrants will be installed to conform to the county ordinance. Mains will be located on public utility easements at the rear of the lots to be served.

Rates

Applicant contemplates serving residential customers on a flat rate basis, with commercial establishments receiving water through meters. The proposed monthly flat rates per lot range from \$6 for an area of 5,500 square feet, or less, up to \$15 for an area between 12,501 and 15,000 square feet. For larger areas an additional charge is proposed on the basis of \$5 for each 5,000 square feet or fraction thereof. The latter unit of area appears to result in unreasonably high charges in some instances. A rate applicable to 100 square foot-increments would seem to result in more equitable charges. Further, it appears that the rate for the larger areas should be lower than applicant's proposal, which is based upon 10 cents for each 100 square feet of additional area.

The meter rates proposed are not in proper relationship to the flat rates. An adjustment will be made in the following order

to correct this situation. A revision should be made also in the special condition relating to options to install meters. In view of the adjustment in meter rates, this special condition should be amended to give the utility greater protection from excessive demands for meters. A rule of different phraseology, similar to one now on file and in use by certain other utility water companies, will be substituted.

The witnesses estimated that Crest will lose money for two years and will begin to earn a return on its investment during the third year when the system is approaching completion. Applicant's estimates of rate of return during the first year on the fully completed system varied from 5.9 to 6.2 per cent. These estimates, given in exhibit form by applicant's president, were necessarily based on various hypothetical situations.

Conclusion

There were no protests to the granting of this application. The principal supplier of water in this area is the California Water Service Company's Bakersfield District. Although given ample notice, that company did not appear.

The Commission finds and concludes as follows:

1. That public convenience and necessity require that applicant be granted a certificate to construct and operate a public utility water system in the 320-acre area hereinabove described.
2. That public convenience and necessity further require that applicant be granted a certificate to exercise the rights and privileges of the franchise granted to it by the board of supervisors of the County of Kern, Ordinance No. F-40.
3. That the rates set forth in Appendix A to the following order are fair and reasonable.

The certificates of public convenience and necessity granted in and by the following order are 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 for any amount of money 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.

Applicant's request to issue stock was in the amount of \$475,000. This was to be divided into 47,500 shares of \$10 par value. It developed at the hearing, however, that that sum would approximate the total construction costs. As we have seen, construction will be spread over a period of three years. At the request of the presiding Commissioner, expressed during the hearing, applicant wrote a letter to the Commission setting forth its capital requirements for its first year of operation. The estimate, which appears reasonable, amounted to slightly less than \$235,000. The following order will therefore authorize the issuance of 23,500 shares of \$10 par value, common capital stock. Applicant will take notice that the proceeds of any stock issued and sold by it shall not be expended for purposes properly chargeable to operating expenses or to income.

With the foregoing limitation upon the use of said proceeds, the Commission hereby finds that the money, property and labor to be procured or paid for through the issuance of the common stock herein authorized are reasonably required by applicant for the purposes specified herein; and that such purposes are 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 property to be acquired with the proceeds of the capital stock herein authorized to be issued.

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,

1. IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Crest Water Co., a corporation, to construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described.

2. IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity be and it hereby is granted to Crest Water Co., a corporation, to exercise the rights and privileges granted to it by the board of supervisors of the County of Kern under Ordinance No. F-40 adopted March 27, 1956.

3. IT IS FURTHER ORDERED as follows:

- a. Applicant is 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 the date service is first rendered to the public, together with rules including provision for bimonthly billing and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.
- b. Applicant 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.
- c. Applicant shall file within forty 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 applicant.

d. Applicant 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.

4. IT IS FURTHER ORDERED that applicant may issue not to exceed 23,500 shares of its common capital stock of the par value of \$10 per share (total par value \$235,000) to its present directors at par, in such proportions as said directors may establish by mutual agreement among themselves, for the purpose of raising funds to construct the public utility water system referred to in the foregoing opinion or some portion of such system.

5. IT IS FURTHER ORDERED that applicant shall file with the Commission a report, or reports, as required by General Order No. 24A, which general order, in so far as it is applicable, is made a part of this order.

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

IT IS FURTHER ORDERED that the application of Crest Water Co., a corporation, except as specifically granted herein be, and it is, denied without prejudice.

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

Dated at San Francisco, California, this 17th day of June, 1956.

[Signature]
President
[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 College Crest, located directly east of the Bakersfield College campus, approximately 4 miles northeast of Bakersfield, Kern County.

RATES

| Quantity Rates: | | <u>Per Meter</u> <u>Per Month</u> |
|----------------------------|------------------------------------|--------------------------------------|
| First | 800 cu.ft. or less | \$ 4.50 |
| Next | 4,200 cu.ft., per 100 cu.ft. | .35 |
| Next | 5,000 cu.ft., per 100 cu.ft. | .30 |
| Next | 10,000 cu.ft., per 100 cu.ft. | .25 |
| Over | 20,000 cu.ft., per 100 cu.ft. | .20 |
| <u>Minimum Charge:</u> | | |
| For | 5/8 x 3/4-inch meter | \$ 4.50 |
| For | 3/4-inch meter | 6.00 |
| For | 1-inch meter | 9.00 |
| For | 1 1/2-inch meter | 12.00 |
| For | 2-inch meter | 24.00 |
| For | 3-inch meter | 42.00 |
| For | 4-inch meter | 65.00 |
| For | 6-inch meter | 85.00 |

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

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area known as College Crest, located directly east of the Bakersfield College campus, approximately 4 miles northeast of Bakersfield, Kern County.

RATES

Per Service Connection
Per Month

For each residential unit without swimming pool, including a lot having an area of:

| | |
|---|---------|
| First 5,500 sq.ft. or less | \$ 6.00 |
| Over 5,500 sq.ft. to 6,500 sq.ft. ... | 7.50 |
| Over 6,500 sq.ft. to 7,500 sq.ft. ... | 8.50 |
| Over 7,500 sq.ft. to 8,500 sq.ft. ... | 9.50 |
| Over 8,500 sq.ft. to 10,500 sq.ft. ... | 11.25 |
| Over 10,500 sq.ft. to 12,500 sq.ft. ... | 13.00 |
| Over 12,500 sq.ft. to 15,000 sq.ft. ... | 15.00 |

| | |
|--|-----|
| Over 15,000 sq.ft. for each additional 100 sq. ft. or fraction thereof | .05 |
|--|-----|

| | |
|---|------|
| For each noncirculating type evaporative room cooler during the months of May through September inclusive, in addition to the residential unit rate | 1.00 |
|---|------|

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.
2. The above residential flat rate charges apply to service connections not larger than one inch in diameter.

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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

3. Meters will be installed at option of utility or customer for above classifications, except that service will not be furnished or continued at meter rates at the request of customer when the average monthly charges at such rates are estimated or found by the utility to be less than under flat rates. In the event a meter is installed at the request of customer, service thereunder will be rendered only on the basis of Schedule No. 1, General Metered Service, and must be continued at meter rates for not less than 12 months before it may again be changed to flat rate service, except as otherwise provided for in this special condition.