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ORIGINAL

Decision No. 54704

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
M. K. HEDSTROM, an individual, doing)
business under the fictitious name)
of Metropolitan Water Co. for a)
certificate of public convenience)
and necessity to operate a public)
utility water system and to estab-)
lish rates for water service in the)
unincorporated area described as)
SKAAL KNOLL HOMESITES, Lots 51 and)
52 West Fresno Tract and adjoining)
territory in the County of Fresno)
under Section 1001 of Public Utili-)
ties Code of the State of California.)

Application No. 38578

L. Kenneth Say, for applicant.
Robert C. Moeck, for the Commission staff.

O P I N I O N

Nature of Proceeding

By the above-entitled application, filed November 10, 1956, M. K. Hedstrom, a married woman, dba Metropolitan Water Co., seeks a certificate of public convenience and necessity to operate a public utility water system in a portion of a subdivision known as Skaal Knoll Homesites, near Fresno, and authority to establish rates for service therein.

Public Hearing

Public hearing in the matter was held before Examiner F. Everett Emerson on February 6, 1957, at Fresno. No person appeared at the hearing either to support or oppose granting of applicant's requests.

Amendments

At the hearing, applicant made two amendments to her application. The first consists of the substitution of simplified rate proposals and somewhat lesser total charges for the tariffs

proposed in the original application. The second consists of a request that a rate schedule be established for public fire hydrant service.

The Applicant and Area Development

Applicant is the owner of 29 lots composing the subdivision known as Skaal Knoll Homesites, having purchased them from the estate of her husband's mother. She and her husband now reside on or utilize four of the lots (Lots Nos. 13, 14, 15 and 16) and intend to reserve these four lots to their own usage in the future. On one of these lots is located a well which is the source of water supply for the subdivision and a portion of the lot (Lot No. 16) is to become utility property as a well site dedicated to public utility use. It is applicant's intent to construct homes upon each of the remaining lots and to offer such homes for sale to the general public. However, at the present time applicant has received authority from the Real Estate Commission to build and sell homes only on Lots Nos. 1 to 8 and 13 to 29, thus excluding Lots Nos. 9, 10, 11 and 12. The net result, as far as utility water service is concerned, is that applicant will have no more than 21 customers, including service to her own residence.

According to the testimony of applicant's husband, parcels of land to the northwest, north and east of the tract are suitable for subdivision development and might provide areas in which applicant's utility operations could be expanded. Such situation, however, on the basis of the present record, seems to be highly problematical. Full development of Skaal Knoll Homesites is expected to be completed in a two-year period.

The Water System

The facilities presently installed include an 8-inch well, 164 feet deep, cased to a depth of 136 feet. The well has a capacity of 160 gallons per minute when pumped against a head of 40 psi. The pump is driven by a 10 hp electric motor. A 1,500-gallon pressure tank at the well site will maintain system pressures between the limits of 40 and 60 psi. The water supply is regularly chlorinated.

The distribution system consists of 1,030 feet of 4-inch, wrapped and dipped 12-gauge steel pipe and 275 feet of 2-inch galvanized pipe. Three wharf-type hydrants are connected to the system.

Installed costs of the system are reported to be as follows:

Organization, including legal fees	\$ 600
Land (well site)	100
Well, drilling and casing	466
Pump, tank and distribution pipe	4,847
Trenching, backfilling and ditch crossing	600
Fire hydrants	100
Chlorination	100
Engineering, surveys and inspection	1,200
Services and miscellaneous yet to be installed	500
	<u>\$8,513</u>

Prospective Results of Operation

Assuming full development of the tract, gross annual revenues are estimated to be \$1,260. Applicant's annual operating expenses were estimated to be \$840. Such estimate, however, includes provisions for no more than the barest of essentials of operation and excludes any provision for either wages, taxes or reasonable maintenance costs. In our informed judgment, a realistic estimate of operating expenses, excluding any provision for an owner's salary, will total not less than \$1,200 annually.

The margin of \$60 as net revenue is so narrow as to make successful operation over any protracted period of time an uncertainty. In the interest of the prospective customers, applicant should be accorded greater revenues to the end that the customers may be assured a continuing and adequate service. We shall authorize rates accordingly.

Prior to the time when all 21 customers are served, applicant, most probably, will not receive revenues to meet expenses. Applicant is aware of such situation and is financially able and willing to sustain the probable losses during such period.

Conclusions.

In view of the evidence, we find that public convenience and necessity require and will require that applicant be granted a certificate for the area requested. Such certificate 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.

We find that the rates for water services authorized herein are fair and reasonable rates under the circumstances of operations disclosed by this record. Basically, such rates will consist of a flat rate charge of \$5.00 per month per lot with additional charges for evaporative air coolers. A corresponding rate for metered service will also be authorized so that should excessive usage or wastage of water be undertaken by customers, applicant by installing a meter may have some control over expenses.

O R D E R

Based upon the evidence and the findings contained in the foregoing opinion,

IT IS ORDERED that a certificate of public convenience and necessity be and it is hereby granted M. K. Hedstrom (Metropolitan Water Co.) to operate a public utility water system for the production, storage, distribution and sale of water within the area known as Skaal Knoll Homesites, Fresno County, as delineated on Exhibit B attached to the application herein.

IT IS HEREBY FURTHER ORDERED as follows:

1. That 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 and a 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.
2. That 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.
3. That applicant shall file within sixty days after the system is first placed in operation under the rates and rules authorized herein four copies of a comprehensive map, drawn to an indicated scale not smaller than 200 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.
4. That applicant shall base 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 the Commission.

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 Los Angeles, California, this 26th day of March, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]
[Signature]
Commissioners

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including Lots 51 and 52 of the West Fresno Tract, known as Skaal Knoll Homesites, located approximately 2 miles west of the city limits of Fresno, Fresno County.

RATES

	<u>Per Meter per Month</u>
<u>Quantity Rates:</u>	
First 800 cu.ft. or less	\$ 4.00
Next 4,200 cu.ft., per 100 cu.ft.25
Over 5,000 cu.ft., per 100 cu.ft.20
<u>Minimum Charge:</u>	
For 5/8 x 3/4-inch meter	\$ 4.00
For 3/4-inch meter	5.00
For 1-inch meter	7.00
For 1-1/2-inch meter	12.00
For 2-inch meter	18.00

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 residential water service furnished on a flat rate basis.

TERRITORY

The unincorporated area including Lots 51 and 52 of the West Fresno Tract, known as Skaal Knoll Homesites, located approximately 2 miles west of the city limits of Fresno, Fresno County.

RATES

	<u>Per Service Connection per Month</u>
For one single family residence, or for the first unit of multiple residential units, including premises	\$5.00
a. For each additional residential unit on the same premises served through the same service connection	3.00
b. Additional for each evaporative type cooler or refrigeration type air conditioning unit, during the six-month period, May through October:	
Water recirculating type50
Water wasting type for which the flow is limited to one and one-half gallons per minute per ton of rated capacity, per ton or fraction thereof	1.00

SPECIAL CONDITIONS

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including Lots 51 and 52 of the West Fresno Tract, known as Skaal Knoll Homesites, located approximately 2 miles west of the city limits of Fresno, Fresno County.

RATE

	<u>Per Month</u>
For each wharf type hydrant	\$2.00

SPECIAL CONDITIONS:

1. The cost of installation and maintenance of hydrants will be borne by the utility.
2. The above rate includes use of water for fire protection and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges will be made at the monthly quantity rates under Schedule No. 1, General Metered Service.
3. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.