

Decision No. 56226**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PARK RIDGE WATER COMPANY,)
 a corporation, for a Certificate of Public)
 Convenience and Necessity; to establish) Application No. 39438
 rates; to issue stock; and to issue a) (Amended)
 promissory note.)

Taylor, Taylor & Taylor, by Carson N. Taylor,
 for applicant.
Sidney J. Webb and W. Ben Stradley, for the
 Commission staff.

O P I N I O N

By the above-entitled application filed September 28, 1957, and amendment thereto filed October 24, 1957, Park Ridge Water Company, a corporation, seeks (1) a certificate of public convenience and necessity to acquire, construct and operate a public utility water system to serve a subdivision located just south of the Stanislaus River and about 8 miles northeast of the City of Modesto in Stanislaus County, (2) authority to issue a total of 10,000 shares of its common stock as consideration for the acquisition of the water system already constructed and to be installed, (3) permission to issue its promissory note in the amount of \$1,000, and (4) the establishment of schedules of rates for general metered service, residential flat-rate service and public fire hydrant service as proposed therein.

Public Hearing

A public hearing in the matter was held before Examiner E. Ronald Foster in Modesto on December 23, 1957, at which time oral and documentary evidence was presented, the matter was submitted subject to the late filing of an exhibit which has been received and the matter is now ready for decision. Proof of publication and posting of notice of hearing was filed at the hearing. No person appeared to oppose the granting of applicant's requests. Members of the financial and engineering staff of this Commission appeared and cross-examined applicant's witness but offered no evidence.

The Applicant and Service Area

Applicant Park Ridge Water Company is a California corporation having its principal office for the transaction of business in Stanislaus County and was formed for the specific and primary purposes of acquiring water and water rights and to distribute the water so acquired to residential domestic consumers at a profit, subject to the jurisdiction of this Commission. The first-named three directors are Joseph J. Antoniono, Florence I. Antoniono and James J. Antoniono, the address of all three being Route 2, 2120 Park Ridge Drive, Modesto, California. The company's Articles of Incorporation, filed with the Secretary of State August 28, 1957, authorize the issue of only one class of shares, the total number of shares authorized being 10,000, with a par value of \$1.00 per share and an aggregate par value of all shares of \$10,000. None of said shares of stock is presently outstanding.

Joseph J. Antoniono and Florence I. Antoniono, two of the three original incorporators of applicant, are the subdividers of the area to be served by the water system, a portion of which they already have installed and now own. They are presently furnishing water on a temporary, individual basis to the residences built or under construction within the subdivision. The nearest previously established water system is that of the Riverbank Water Company, a public utility furnishing service in the City of Riverbank and vicinity.

The subdivision consists of approximately 34 acres divided into 53 lots with areas averaging about 22,700 square feet, the smallest ones being slightly less than 15,000 square feet in size, as shown on Exhibit "D" of the application. The tract, known as Park Ridge Subdivision, is located on the south bank of the Stanislaus River about one-half mile west of the City of Riverbank. At the time of the hearing, in addition to the homes of applicant's incorporators, there were three new houses completed and one under construction within the tract. The water system to supply the subdivision is proposed to be constructed in three stages, the first of which has already been installed to serve 22 lots, the second will complete the circulatory system of 6-inch and 4-inch mains, and the third will consist of smaller piping extending into culs-de-sac to complete service to the remaining lots. The subdivision is within the boundaries of the Riverbank Fire District.

The Water System

Water for the system is supplied from a 240-foot well heretofore used for irrigation purposes, located near the center of the tract, and with 12-inch casing to approximately 150 feet in depth. Water normally stands at 85 feet below the surface. The well is equipped with a 25-hp electric motor-driven deep-well pump, designed to produce 440 gallons of water per minute when discharging against normal system pressures. The pump will deliver the water into the 5,000-gallon hydropneumatic tank, with automatic pressure switches set to operate the pump at tank pressures ranging between 40 and 60 pounds per square inch, and thence into the distribution system.

The water will be distributed through a circulating main consisting of approximately 1,700 feet of 6-inch and 1,200 feet of 4-inch dipped and wrapped 12-gauge steel pipe. About 1,600 feet of 2½-, 2-, 1½- and 1¼-inch diameter plastic pipe will be used to furnish service to lots within four or five cul-de-sac areas. One-inch service connections will be provided at each lot and there will be three fire hydrants attached to 6-inch mains within the tract.

The estimated cost of construction of the system for the tract, as shown in Exhibit "E" of the application, is as follows:

I. Cost of Portion of System Already Installed

| | | |
|----------------------------------|-----------------|-------------|
| Land | \$ 517.67 | |
| Pump | 1,857.86 | |
| Tank | 1,397.33 | |
| Well and Casing | 1,012.50 | |
| Valves and Fittings | 233.38 | |
| 6- and 4-inch pipe and trenching | 3,523.20 | |
| Engineering and Legal Costs | <u>1,066.36</u> | |
| Total | | \$ 9,608.30 |

II. Estimated Cost of Remainder of System

| | | |
|----------------------------|---------------|----------|
| Pipe, Valves, and Services | 1,680.00 | |
| Trenching and Labor | 340.00 | |
| Supervision | 100.00 | |
| Landscaping | <u>350.00</u> | |
| Total | | 2,470.00 |

III. Legal Fees and Costs

1,733.42

Total Estimated Cost of System \$13,812.22

The application states that the above costs do not include the smaller pipes and fittings required to make extensions from the mains down and along the culs-de-sac, the estimated cost of which has not yet been determined.

Financing

Applicant proposes to acquire from Joseph J. Antoniono and Florence I. Antoniono, at their actual cost, all of the portion of the system already installed as shown in the foregoing tabulation and to pay for said portion with 6,957 shares of applicant's stock of the par value of one dollar per share. Applicant proposes to evidence the issuance of such stock by issuing to Joseph J. Antoniono and to Florence I. Antoniono certificates for 3,479 shares and 3,478 shares, respectively, of said stock.

It is estimated that the remainder of the water system, as indicated in the foregoing tabulation, will be constructed and installed by April 1, 1958, and applicant proposes to pay for said remaining portion with 3,043 shares of its stock, the issuance of such stock to be evidenced by issuing to Joseph J. Antoniono and Florence I. Antoniono certificates for 1522 and 1521 shares of said stock, respectively.

It may be noted that the total stock proposed to be issued is 10,000 shares, the total amount authorized by applicant's Articles of Incorporation.

Applicant further proposes to borrow operating capital from said Joseph J. Antoniono and Florence I. Antoniono in the amount of \$1,000 and to issue its promissory note to said individuals, as joint tenants, providing for the payment of interest at five per cent per annum from date thereof and the principal payable in monthly installments of \$20 beginning on the first day of January 1960, all as set forth in Exhibit "F" of the application.

As owners of the unsold portions of the subdivision, the future stockholders will make funds available to the corporation for construction and operation purposes, as lots are sold.

Applicant specifically requests authority to carry out the financing as above outlined.

Proposed Rates and Potential Revenues

Applicant proposes a monthly flat rate of \$5, \$7 and \$10 for service to each residence through 3/4-, 1-, and 1½-inch

connections, respectively; with additional charges of \$0.50 and \$1.50, respectively, for water-recirculating and water-wasting type air conditioning units; and an additional charge of five cents per 100 square feet of area of premises in excess of 15,000 square feet. The proposed schedule of meter rates provides for a minimum charge of \$4 per month for a 5/8 x 3/4-inch meter with higher charges for larger size meters. Quantity rates for use in excess of 600 cubic feet allowed for the \$4 minimum charge range through three blocks of usage at 50, 45, and 40 cents per 100 cubic feet and 35 cents per 100 cubic feet for monthly quantities used in excess of 7,000 cubic feet. Applicant also requests that a rate of \$1.00 per month be authorized for service to each public fire hydrant.

The average number of customers in the subdivision is estimated at 2, 9, 20, and 40 for the years 1957, 1958, 1959 and 1960, respectively. On the basis of approximately 80 per cent occupancy, the maximum anticipated by applicant, or 40 residential lots within the tract, the gross revenue as estimated by applicant at an average rate of \$6 per month, as shown in Exhibit "G" of the application would amount to \$2,880 per year. Applicant's corresponding estimate of annual operating expenses, including property taxes and depreciation, is \$1,966. Applicant's witness, who is president of the corporation, was aware of the probability that little or no return on the total investment can be expected until reasonably complete development of the subdivision is accomplished.

By cross-examination of applicant's witness it was pointed out that all of the lots in the subdivision are over 10,000 square feet in area and that therefore all services should be one-inch diameter or larger to comply with the Commission's General Order No. 103 covering service standards for water utilities. The witness stated that applicant does not intend to install meters unless necessary to curb careless use and unnecessary waste of water. Therefore, the witness was forced to admit that under the proposed flat rates, considering the additional charges for water coolers and for lot areas in excess of 15,000 square feet, the estimated average monthly revenue obviously would be considerably higher than \$6.

Miscellaneous Items

Applicant's witness stated that he lives within the subdivision, that he intends to supervise the operation of the system personally, and that he plans to render bills for water service payable at his home. Subscription to telephone service under the name of the utility will be arranged.

The County of Stanislaus requires no licensing franchise for the operation of the water system, according to applicant's testimony. A permit to supply water from applicant's well was issued by the Stanislaus County Health Officer on October 16, 1957, as evidenced by Exhibit No. 1 received in this proceeding.

Findings and Conclusions

The existing and proposed portions of the water system appear to be well designed to meet the requirements of General Order

No. 103 and, when such installation is completed, there should be no difficulty in rendering adequate service.

It appears that the system proposed to be operated by applicant will be needed by those who will live in Park Ridge Subdivision and that no other water service is now available in this area. Applicant appears to be financially capable of carrying out its proposed construction and operation of the water system.

The rates proposed, however, are found to be somewhat different and higher than the prevailing rates charged by comparable water utilities operating under similar conditions in the San Joaquin Valley. This applicant has had no experience of its own in the operation of a public utility water system. Therefore, the Commission will authorize schedules of rates for both flat-rate and metered service which are compatible with each other and which more nearly conform to the prevailing rate levels in the area, taking into consideration the special factors of this proposed operation. The rate schedules hereinafter authorized are designed to render a gross revenue of about \$3,000 per year on the basis of the development of about 40 homes in the subdivision and approximately 80 per cent occupancy of the area. Likewise, a rate for service to public fire hydrants will be established to suit the anticipated conditions under which such service will be rendered.

Inasmuch as this is a new service, the rates charged by applicant may be reviewed by this Commission at any subsequent time in order to determine whether the rates herein authorized are

resulting in reasonable charges for the service rendered and in a reasonable return for the investors in the utility.

After consideration of the record herein, the Commission is of the opinion and finds:

(1) That public convenience and necessity require the acquisition, construction and operation of a public utility water system by applicant in the area herein described; (2) that the issuance of 10,000 shares of applicant's stock as consideration for the acquisition of said water system from the present owners and installers thereof should be authorized; (3) that the borrowing of \$1,000 to provide applicant with working cash is a reasonable request and should be granted; (4) that the property, labor or money to be procured or paid for by the issue of the stock and note herein authorized is reasonably required for the purposes herein specified and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; and (5) that the rates for water service authorized in the following order are justified, fair and reasonable for the service to be rendered.

The action taken herein shall not be construed to be a finding of the value of the property to be acquired with the stock herein authorized to be issued.

The certificate granted in and by the following order 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 for any amount of money in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as consideration for the issuance of such certificate of public convenience and necessity or right.

C 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 ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Park Ridge Water Company, a corporation, to acquire, construct and operate a public utility system for the distribution and sale of water within the area hereinbefore described and as shown on Exhibit "D" attached to the application.

IT IS FURTHER ORDERED as follows:

1. That Park Ridge Water Company may issue to Joseph J. Antoniono and Florence I. Antoniono 10,000 shares of its stock as consideration for said transfer of said water system. Further, that Park Ridge Water Company may issue to Joseph J. Antoniono and Florence I. Antoniono, joint tenants, its promissory note in the principal amount of \$1,000 for the purpose of providing operating capital, said note to be substantially in the form shown in Exhibit "F" attached to the application.

2. 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 under the authority herein granted, 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 upon five days' notice to the Commission and to the public after filing as hereinafter provided.

3. That applicant, prior to the commencement of service as herein authorized, shall certify to the Commission over the signatures of its responsible officers that it is the owner of the assets and business of the aforesaid water system, including the lot or area in which the well, pump and tank are located, as evidenced by appropriate deeds and bills of sale.

4. That applicant shall notify this Commission, in writing, of the date service is first furnished to the public under the rates and rules authorized herein, within ten days thereafter.

5. That applicant shall file, within forty-five 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 of not smaller than 100 feet to the inch, delineating by appropriate markings the tract of land for which this certificate is issued, the sources of water supply and the distribution facilities, and the locations of the various water system properties of the applicant.

6. That applicant shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicant shall review the accruals as of January first of the year following the date service is first rendered to the public under the rates and rules authorized herein and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

7. That applicant shall make arrangements for a representative or representatives in the Park Ridge Subdivision or elsewhere nearby for the purpose of receiving customer inquiries and to receive personal payments of monthly bills. It is further directed that applicant shall cause the telephone number of such office to be listed in the local telephone directory under the name of applicant. Applicant shall report to the Commission in writing within ten days after completion of each of the requirements of this ordering paragraph.

8. That applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A of this Commission, which order, in so far as applicable, is hereby made a part of this order.

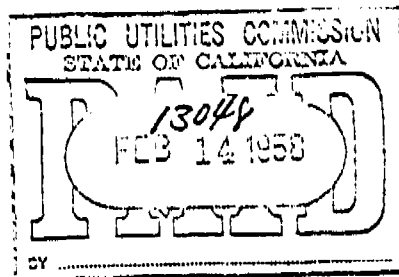
9. That the authority herein granted to issue a promissory note will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25.

The authorizations herein granted will expire if not exercised within one year after the date hereof.

The effective date of this order, except as it relates to ordering paragraph 9 above, shall be twenty days after the date hereof.

Dated at Los Angeles, California, this 10th
day of FEBRUARY, 1958.

John E. Mitchell
President
Raymond J. Lawrence
William J. Dooly
R. K. Karpis
L. Lyn Fox
Commissioners



APPENDIX A
Page 1 of 3

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Park Ridge Subdivision, and vicinity located approximately $\frac{1}{4}$ mile west of the City of Riverbank, Stanislaus County.

RATES

| | <u>Per Meter</u> <u>Per Month</u> |
|--|--------------------------------------|
| Quantity Rates: | |
| First 1,000 cu. ft. or less | \$3.50 |
| Next 2,000 cu. ft., per 100 cu. ft. | .20 |
| Next 5,000 cu. ft., per 100 cu. ft. | .18 |
| Over 8,000 cu. ft., per 100 cu. ft. | .15 |
| Minimum Charge: | |
| For 5/8 x 3/4-inch meter | \$3.50 |
| For 3/4-inch meter | 4.75 |
| For 1-inch meter | 7.00 |
| For 1½-inch meter | 12.00 |
| For 2-inch meter | 17.50 |

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 SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated area known as Park Ridge Subdivision, and vicinity located approximately $\frac{1}{2}$ mile west of the City of Riverbank, Stanislaus County.

RATES

| | <u>Per Service Connection</u> <u>Per Month</u> |
|--|---|
| For a single family residence, including premises not exceeding 15,000 sq. ft. in area. | \$ 4.25 |
| a. For each 100 sq. ft. of area in excess of 15,000 sq. ft. | .02 |
| b. For each evaporative-type cooler, in addition to regular flat rates, during the 6-month period May through October: | |
| Circulating type | .25 |
| Noncirculating type | .75 |

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classification will be furnished only on a metered basis.
3. A meter may be installed at option of utility or customer for above classification in which event service 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 all fire hydrant service furnished to duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated area known as Park Ridge Subdivision, and vicinity located approximately 1/2 mile west of the City of Riverbank, Stanislaus County.

RATE

| | <u>Per Month</u> |
|------------------------|------------------|
| For each hydrant | \$1.00 |

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Motored Service.
2. Wharf type hydrants will be furnished, installed and maintained at the cost of the utility. Other types of hydrants will be furnished, installed and maintained at the cost of the fire protection organization.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. 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.