

**ORIGINAL**Decision No. 58287

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 ROBERT J. ERWIN and FORREST J. WOOD,  
 a Co-partnership, d.b.a. Hinkley  
 Valley Water Company, for a Certificate  
 of Public Convenience and Necessity to  
 operate a water system and for an Order  
 establishing rates for water service.

Application No. 40749

Robert J. Erwin and Forrest J. Wood, applicants.  
Edward S. Quinlan, Public Utilities Consultant,  
for applicants.  
Donald B. Steger, for the Commission staff.

O P I N I O N

By the above-entitled application filed January 13, 1959, Robert J. Erwin and Forrest J. Wood, a copartnership doing business as Hinkley Valley Water Company, request a certificate of public convenience and necessity to operate a public utility water system to serve Tract No. 5714 and an area adjacent thereto situated in unincorporated territory near Hinkley, in San Bernardino County.

Public Hearing

A public hearing on the application was held before Examiner E. Ronald Foster in Barstow on March 18, 1959, prior to which time notices of hearing thereon were published and posted as required by the Commission. No person appeared to oppose the granting of applicants' request. A sanitarian testified concerning the requirements of the San Bernardino County Health Department. After evidence both oral and documentary had been presented on behalf of applicants and also by an engineer of the Commission's staff, the matter was submitted and is now ready for decision.

Service Area

The proposed service area is shown on a map filed as Exhibit No. 2 herein and consists of approximately 29 acres located in the northwest quarter of Section 28, T. 10 N., R. 3 W., S.B.B.& M., in Hinkley Valley about 10 miles westerly of the City of Barstow. The area is bounded on the north by the Santa Fe Railway and on the east by Flower Road and it is one-half mile north of U. S. Highway No. 466, as shown on Exhibit C attached to the application.

Tract No. 5714 contains 46 numbered residential lots approximately one-half acre in size. The remaining parcel, marked Lot A on Exhibit No. 2, approximately 330 feet by 400 feet and to be divided into six lots, is requested to be included in the service area. The land is flat and about 2,200 feet above sea level.

The nearest public utility furnishing water is the Pacific Water Company's Westside system which serves the town of Lenwood and vicinity, approximately seven miles southeasterly of Tract No. 5714. Southern California Water Company furnishes water service in Barstow.

Description of System

Exhibit No. 1 is a map showing applicants' water system, which is practically all installed. The water supply will be obtained from three wells located in the service area. Well No. 1, 12 inches in diameter and 70 feet deep, is in Lot 13 at the westerly boundary of the tract and is reported to be capable of producing 100 gallons of water per minute. It is equipped with a five-horsepower electric motor driven pump which was tested in February of 1959 and found to produce 55 gallons per minute when pumping against a head of 61 feet. The well pump delivers the water

into a 5,000-gallon cylindrical steel storage tank from which the water is removed by a three-horsepower booster pump and delivered into the distribution system through a 2,000-gallon hydropneumatic tank. At the time of the hearing the booster pump was in the process of being repaired or replaced after being damaged by freezing.

Well No. 2 is six inches in diameter and 96 feet deep, is located in Lot 45 at the easterly boundary of the tract, and is equipped with a 1½-horsepower electric motor driven pump which delivers the water through a 300-gallon hydropneumatic tank and thence into the distribution system. This pumping plant has not been tested but it is estimated that it will deliver from 15 to 40 gallons of water per minute against system pressures between 50 and 25 pounds per square inch.

Well No. 3 is located in the southeast corner of Lot A, is 12 inches in diameter and 80 feet deep, and is equipped with a 5-horsepower electric motor driven pump, which delivers the water directly into the distribution system. During a test made in January, 1959, it was determined that the unit delivered 91 gallons per minute against a total pumping head of 168 feet. This well is presently not owned by the utility but is to be acquired about January 1, 1960, to supplement the supply from the other wells. In the meantime it will be used as a standby to assure continuity of water supply.

It is estimated that all three wells will be required to furnish an adequate supply of water when the service area is fully developed. Each pumping plant is equipped with automatic controls arranged to operate the pumps consecutively to maintain system pressures between about 30 and 50 pounds per square inch.

The distribution system consists of 240 feet of 6-inch and 4,720 feet of 4-inch, 12 gauge, dipped and wrapped steel pipe and 420 feet of 2-inch galvanized pipe. The mains are laid only about two feet below the surface and require six to eight inches of additional cover to conform to the minimum requirement of thirty inches specified in General Order No. 103. Applicants testified that this requirement will be met by street grading prior to paving. There are eight wharf-type fire hydrants attached to the system, with 4-inch risers and 2½-inch hose outlets.

All water consumption, other than for fire protection purposes, will be metered. Double service connections from the mains are of 1-inch galvanized pipe, with 1-inch branches to each residential lot. This arrangement does not conform to the requirements of General Order No. 103 for service to lots as large as ½ acre and is likely to result in inadequate pressures under conditions of maximum demand. Each service pipe should be at least one-inch diameter, beginning at the main or branching from a double service pipe consisting of 1½-inch pipe or larger, and the order herein will so provide.

Furthermore, some of the well discharge lines and other facilities do not conform to General Order No. 103, with regard to protection against freezing. The order herein will require that applicants provide suitable equipment housing and wrapping of exposed piping to prevent service interruptions due to freezing.

The estimated cost of the water system as of January 1, 1959, was \$13,730 as developed from Exhibit No. 7. The total estimated cost of the system required to supply the entire service area, with proposed 1959 and 1960 additions including Well No. 3

with its pumping plant and accessories and the site upon which they are located, as shown in detail in the exhibit and summarized by plant accounts, is as follows:

<u>Ac. No.</u>	<u>Description</u>	<u>Amount</u>
301	Intangible Plant	\$ 1,050
306	Landed Capital	725
315	Wells	2,020
324	Pumping Equipment	3,492
342	Reservoirs and Tanks	1,105
343	Transmission and Distribution Mains	7,191
345	Services	860
346	Meters	1,567
348	Hydrants	404
	Total	<u>\$18,414</u>

#### Financing

Applicants represent that they are engaged in the business of selling lots and constructing residences in Tract No. 5714 and that they desire to enter into the public utility water business under the name of Hinkley Valley Water Company for the purpose of furnishing water service within Tract No. 5714 and territory adjacent thereto.

Applicants further represent that all installation and acquisition costs of the water system facilities have been financed by their personal funds and that no portion of such costs has been financed by advances for construction nor has any property been acquired through contributions in aid of construction. In support of their claimed ability to complete the construction of the water system and to operate it as a public utility, they submitted individual financial statements as of November 30, 1958. Exhibit No. 4 shows the net worth of Forrest J. and Alma A. Wood to be \$85,131 and Exhibit No. 5 shows that of Robert J. Erwin to be \$184,749.

Proposed Rates and Potential Revenue

There are now about 14 houses built or under construction in the tract. Of these, 8 or 9 are occupied and being served with water from the system at a flat rate of \$3.00 per customer per month. Applicants intend to meter all services and have proposed the following schedule of rates:

Quantity Rates:	<u>Per Meter Per Month</u>
First 900 cu.ft. or less . . . . .	\$3.50
Next 4,100 cu.ft., per 100 cu.ft. . . . .	.30
Next 5,000 cu.ft., per 100 cu.ft. . . . .	.25
Over 10,000 cu.ft., per 100 cu.ft. . . . .	.15

Minimum Charge:

For 5/8 - inch meter . . . . .	\$3.50
For 3/4 - inch meter . . . . .	3.50
For 1 - inch meter . . . . .	5.00
For 1 1/2 - inch meter . . . . .	7.50
For 2 - inch meter . . . . .	10.00
For 4 - inch meter . . . . .	30.00

When asked why the same charge is proposed for a 5/8 x 3/4-inch meter as for a full 3/4-inch meter, applicants' engineer consultant replied that he understands his clients intend to install 3/4-inch meters on all residential services. In estimating operating revenues, this witness assumed an average monthly consumption of 1900 cubic feet of water per customer, or an average monthly bill of \$6.50 at the above rates.

In the rate schedule to be authorized hereinafter, different amounts will be established as minimum charges for 5/8 x 3/4-inch and 3/4-inch meters, as well as for the larger meters (including a 3-inch meter), which are considered more realistic and somewhat commensurate with the delivery capacities of the meters of the several sizes. The quantity rate in the initial block will be reduced to \$2.90 for the first 700 cubic feet of water. At such

rates the charge will be \$3.50 for a monthly usage of 900 cubic feet to a customer served through a 5/8 x 3/4-inch meter and the authorized minimum charge of \$4.00 for service through a 3/4-inch meter will entitle the customer to nearly 1,100 cubic feet. Also the charge for the assumed average monthly consumption of 1,900 cubic feet will still be \$6.50 per month for service through a 5/8 x 3/4-inch, a 3/4-inch, or even a 1-inch meter.

Applicants did not propose any fire hydrant service rate. Although there is presently no organized fire protection district in the vicinity of Hinkley, a rate for fire hydrant service will be included in the schedules authorized by the order herein.

Applicants' engineering witness estimated the average number of customers to be 18 and 48 for the years 1959 and 1961, respectively. Without including any revenue from service to public fire hydrants, by applying the proposed rates to an average monthly consumption of 1,900 cubic feet of water per customer, resulting in an average monthly bill of \$6.50, applicants' consulting engineer witness included in his Exhibit No. 7 the following estimated results of operation for the two test years:

<u>Item</u>	<u>1959</u>	<u>1961</u>
Operating Revenues	\$1,405	\$3,745
Operating Expenses:		
Operation and Maintenance	1,180	1,460
Depreciation	405	535
Taxes, Other Than Income	225	290
Taxes Based on Income	0	305
Total Deductions	<u>1,810</u>	<u>2,590</u>
Net Revenue	-	1,155
Average Depreciated Rate Base	14,555	17,540
Rate of Return	(Loss)	6.57%

#### Public Health Requirements

Exhibit No. 3 is a copy of Water Supply Permit No. 92, issued to applicants on May 16, 1958 by the State Board of Public Health and signed by the Health Officer of San Bernardino County, pertaining to the water supply to be obtained from Well No. 1.

At the hearing a sanitarian testified on behalf of the San Bernardino County Health Department and presented a copy of a letter dated March 16, 1959 (Exhibit No. 6) addressed to applicants which pointed out certain impairments to the water supply from Wells No. 2 and No. 3. A leach line from a sewage disposal system has been constructed too close to Well No. 2 and must be moved to a minimum distance of 100 feet, and preferably 120 feet, from the well if it is to be used for supplying water to the system. A chemical analysis of water from Well No. 3 revealed an iron content 60% in excess of U. S. Public Health Service standards. If this condition persists after further pumping from this well, the water from it should not be used unless arrangements are made to mix it with water from one or both of the other wells so that the iron and manganese content of water in the distribution system does not exceed 0.3 parts per million.

This witness testified that, for the soil conditions existing in this locality, the wells should be adequately sealed to a sufficient depth to prevent percolation of surface water into the domestic water supply; or the utility must control the area around each well, by deed restrictions or ownership, within a radius of at least 100 feet; and preferably both conditions should be met, in order to provide for future bacteriological safety of the water supply from all wells in the system.

Applicants will be expected to comply with the requirements of the local public health department, and the granting of the requested certificate will be made contingent upon such compliance.



Miscellaneous Items

Applicant Wood lives in the service area and will conduct the operations of the utility from an office located in his home. He testified that the system had been installed in July, 1958, at which time he was unfamiliar with the provisions of the Commission's General Order No. 103. He professed his willingness to abide by all the requirements thereof.

It appears that the County of San Bernardino requires no franchise or permit to operate a water distribution system.

The order herein will implement the staff's recommendations pertaining to conformity with the minimum standards for design and construction as set forth in General Order No. 103, to the adequate protection of exposed facilities against freezing and to the filing of a tariff schedule for service to fire hydrants.

Findings and Conclusions

It appears that applicants are financially capable of carrying out the completion of the construction of the water system as proposed and its operation as a public utility. However, the record shows and the Commission finds that certain construction deficiencies and sanitary impairments to the water supply exist and that the requested certificate should be granted subject to the correction thereof.

In order that the properties on which the wells and related facilities are located be dedicated to public utility operations, as well as easements for any pipelines which will not be located in public streets, applicants will be required to file with the Commission documentary evidence to that effect.

The Commission finds that public convenience and necessity require that the requested certificate be granted and that the rates shown in Appendix A attached hereto are fair and reasonable.

The certificate hereinafter granted 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.

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 ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Robert J. Erwin and Forrest J. Wood, doing business as Hinkley Valley Water Company, to construct and operate a public utility system for the distribution and sale of water within Tract No. 5714 and in the vicinity thereof in San Bernardino County, as shown on the map, Exhibit No. 2, in evidence herein.

IT IS FURTHER ORDERED that:

1. The certificate granted in the foregoing paragraph of this order shall not become effective until applicants shall have filed with this Commission, after the effective date of this order, a signed statement that existing sanitary impairments to the water supply and deficiencies in conforming with the minimum standards for

design and construction of the water system as set forth in General Order No. 103 have been corrected in the following particulars:

- a. The water supply for the system shall be made to meet public health standards as to bacteriological safety and chemical analysis as evidenced by a letter from the San Bernardino County Health Department that applicants have complied with its requirements.
- b. Water mains laid above ground, pumps and accessory facilities shall be adequately protected against freezing.
- c. Prior to paving, all transmission and distribution water mains laid in public streets shall be protected with not less than 30 inches of cover over the top of the pipe.
- d. Service pipes to all residential lots having an area of 8,000 square feet or more shall be at least one-inch inside diameter, beginning at the main or branching from a double service consisting of  $1\frac{1}{2}$ -inch pipe or larger.

2. Applicants are authorized to file, after compliance with paragraph 1 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 this Commission and to the public after filing as hereinabove provided.

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 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 tract of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicants.

5. Applicants 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. Applicants shall review the accruals as of January 1st 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.

6. If the authorization herein granted is exercised, applicants shall dedicate to public utility purposes the lots or areas on which the wells and related water facilities are located and any easements or permits where water mains are or will be located, otherwise than in public streets, including any rights of way for the transmission lines from the wells, and shall file with the Commission, not later than thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such dedication, easement or permit.

7. If the authorization herein granted is exercised, on or before January 16, 1960 applicants shall acquire the supplementary source of water supply designated on the map (Exhibit No. 1) and described in Exhibit No. 7 as Well No. 3, equipped with a 5-horsepower electric motor-driven pump and automatic controls,

and connected directly into the utility distribution system, together with the parcel of land, not smaller than 30 feet by 60 feet, on which the well and related facilities are located. Within fifteen days after such acquisition, applicants shall file with the Commission a written statement to that effect and an appropriate document showing the dedication of the parcel of land to public utility purposes.

The authorization herein granted will expire if not exercised within six months after the date hereof.

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

Dated at San Francisco, California, this 21<sup>st</sup> day of April, 1959.

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

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including the subdivision known as Tract No. 5714, and vicinity, located in Hinkley Valley approximately ten miles westerly of the City of Barstow, San Bernardino County.

RATES

Per Meter  
Per Month

Quantity Rates:

First 700 cu.ft. or less .....	\$ 2.90
Next 4,300 cu.ft., per 100 cu.ft. ....	.30
Next 5,000 cu.ft., per 100 cu.ft. ....	.25
Over 10,000 cu.ft., per 100 cu.ft. ....	.15

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 2.90
For 3/4-inch meter .....	4.00
For 1-inch meter .....	6.25
For 1 1/2-inch meter .....	10.00
For 2-inch meter .....	16.00
For 3-inch meter .....	26.00
For 4-inch meter .....	42.50

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

Schedule No. 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 including the subdivision known as Tract No. 5714, and vicinity, located in Hinkley Valley approximately ten miles westerly of the City of Barstow, San Bernardino County.

RATE

Per Month

For each fire hydrant ..... \$2.00

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 Metered Service.
2. The cost of installation and maintenance of hydrants will be borne by the utility.
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 a result of its normal operation of the system.