

Decision No. 59423**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

APPLICATION OF COUNTRY ESTATES WATER CO.,
 INC., A CALIFORNIA CORPORATION, (formerly
 Country Estates Mutual Water Company) FOR
 A CERTIFICATE OF PUBLIC CONVENIENCE AND
 NECESSITY TO OPERATE A PUBLIC UTILITY
 WATER SYSTEM AND TO ESTABLISH RATES FOR
 WATER SERVICE IN THE AREA KNOWN AS TRACT
 2196 AND TRACT 1951 AND IMMEDIATELY SUR-
 ROUNDING TERRITORY, KERN COUNTY, CALIFORNIA,
 UNDER SECTION 1001 ET SEQ. OF THE PUBLIC
 UTILITIES CODE OF THE STATE OF CALIFORNIA
 AND FOR A PERMIT TO ISSUE ADDITIONAL
 CAPITAL STOCK OF APPLICANT CORPORATION.

Application No. 41507

O P I N I O N

By the above-entitled application, filed September 22, 1959, Country Estates Water Co., Inc., a California corporation, requests (1) a certificate of public convenience and necessity to operate a public utility water system in unincorporated territory consisting of Tract No. 1951 and Tract No. 2196 and immediately surrounding areas in Kern County, (2) authority to establish rates, and (3) authority to issue stock.

A field investigation was made in connection with this application on September 28 and October 21 and 22, 1959, by staff representatives of the Commission's Finance and Accounts Division and the Hydraulic Branch of the Utilities Division. The results of their investigation are outlined in two memoranda dated October 27 and November 25, 1959, which memoranda, together with photostats of work sheets attached thereto, are hereby received in evidence in this matter as Exhibit No. 1.

Background

Applicant has heretofore operated as a mutual water company and has constructed a complete water system in Tract No. 1951, which water system has been in operation for over one year. Immediately adjacent to and westerly thereof is Tract No. 2196. The mutual water company has also constructed in the latter tract additional facilities and distribution water mains with funds advanced by Hugh Sill, Trustee, a copartnership consisting of Sill Properties, Inc., M.I.C., Inc., the Estate of Dan C. Sill, deceased, W. M. Mickleberry and Curtis Darling. At a stockholders' meeting held on August 17, 1959, the mutual water company voted to convert to a stock ownership type of organization for the purpose of operating a public utility water company.

Service Area

Tract No. 1951, as depicted on Exhibit "B" of the application, is located south of Red Bank Road in the northeast corner of Section 12, Township 30 South, Range 28 East, M.D.B. & M. This tract consists of 24 lots varying in size from 24,000 to 28,000 square feet in area.

Tract No. 2196, as shown on Exhibit "C" of the application, is also located south of Red Bank Road immediately west of and across Wyatt Street from Tract No. 1951. Most of the 28 lots in this tract vary in size from about 15,000 to 18,000 square feet.

Applicant contemplates that additional acres will be subdivided by other developers in the vicinity and has therefore made provision for extending water service to such adjacent areas. For this reason applicant asks that a certificate of public convenience and necessity be made to include the territory immediately

surrounding the above-numbered tracts. Applicant represents that no other public utility, water district or mutual water company serves the area requested to be certificated nor within one half mile radius of such area.

Description of Water System

The source of water supply for applicant's system consists of two deep wells. Well No. 1 is located approximately 370 feet south of Tract No. 1951 and will deliver approximately 250 gpm when equipped with a 30-horsepower pumping unit. Water is pumped into a 2000-gallon hydropneumatic tank and then into the distribution mains. Well No. 2 is located on the southern boundary of Tract No. 2196 approximately 50 feet west of Wyatt Street. This well is rated at 550 gallons per minute and is equipped with a 50-horsepower pumping unit which delivers the water into a 5000-gallon hydropneumatic tank and thence into the distribution system. Pressure controls on the two pumps are set to operate between the pressures of about 30 to 60 pounds per square inch.

Financing

Applicant presently has 27 shares of its no par value common stock outstanding at an aggregate stated value of \$14,419.18. It now seeks authorization to issue 53 additional shares of such stock in cancellation of an indebtedness amounting to \$25,449.47 as of September 30, 1959, due Hugh Sill, Trustee, a copartnership. It appears that such indebtedness was incurred for acquisition and construction of portions of the water system.

Rates

The mutual water company heretofore charged a flat rate of \$3 per month for each residential premises. At the stockholders' meeting on August 17, 1959, it was agreed that the rate should be \$7.50 per month, which rate is now being charged. As set forth in

Exhibit "F" of the application, applicant proposes the following schedule of rates:

METER RATES:

| | |
|--|--------|
| First 1,200 cu.ft. or less | \$7.50 |
| Next 1,400 cu.ft., per 100 cu.ft. | .20 |
| Next 2,000 cu.ft., per 100 cu.ft. | .16 |
| Over 4,000 cu.ft., per 100 cu.ft. | .12 |

FLAT RATES:

| | |
|---|--------|
| For single family residence, including premises, domestic use only | \$7.50 |
| For one fireplug per month | \$1.50 |

SPECIAL CONDITIONS:

The above residential flat rate charges apply to service connections not larger than 1" in diameter.

All service not defined by the above classifications will be furnished on a metered basis.

Because of the considerable variation in the sizes of lots within the two tracts, the staff has recommended that the rate schedule for flat rate service be designed to include a basic charge for a residential unit on an average or minimum size lot, with an incremental rate for each 100 square feet of area in excess of that included in the basic charge. The order will provide for such a rate schedule to minimize inequities of service to the lots of varying sizes. The rate schedule will be designed to produce approximately the same revenues that would be obtained from a flat rate of \$7.50 per month for each lot. Applicant is aware that the proposed rate will not render a fair return on the investment at the present time.

Applicant's proposed schedule of meter rates also requires revision. The order herein will authorize a schedule of rates for general metered service designed to be consistent with the accompanying schedule of rates for residential flat rate service.

Findings and Conclusions

Applicant's water supply facilities are considered adequate for the complete development of the two initial tracts and the distribution system appears to be well designed to meet the requirements of the Commission's General Order No. 103.

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

Applicant has received a water supply permit from the State Board of Public Health in regard to Well No. 1. Applicant will be expected to obtain a similar permit for Well No. 2.

The Commission finds and concludes that public convenience and necessity require that the requested certificate be granted. The inclusion of "immediately surrounding territory" in the certificated area is unnecessarily vague, however. The certificate to be granted will apply specifically to the two named tracts. This will not preclude the applicant from serving contiguous territory as provided in Section 1001 of the Public Utilities Code. Serving of noncontiguous territory is not permissible without further authorization of this Commission. The Commission further finds and concludes that the rates set forth in the appendix to the following order are fair and reasonable for the service to be rendered.

No franchise is required by the County of Kern.

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 for any amount of money 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.

The Commission is of the opinion and finds that the money, property, or labor to be procured or paid for by the issuance of the stock herein authorized is reasonably required for the purpose herein specified and that such purpose is not in whole or in part reasonably chargeable to operating expenses or to income. The authorization herein given is not to be construed as a finding of value of applicant's stock or properties, nor as indicative of amounts to be included in any future rate base for determination of just and reasonable rates.

O R D E R

The Commission having considered the above-entitled application and being of the opinion that a public hearing is not necessary and that the application should be granted; therefore,

IT IS ORDERED that Country Estates Water Company, Inc., a corporation, be and it hereby is granted a certificate of public convenience and necessity to acquire, construct and operate a public utility system for the distribution and sale of water in Tract No. 1951 and Tract No. 2196, in Kern County.

IT IS FURTHER ORDERED that:

1. 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 this Commission and to the public after filing as hereinabove provided.

2. 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. Applicant 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 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. 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 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.

5. If the authorization herein granted is exercised, applicant shall dedicate to public utility purposes the land, parcels or areas on which the wells, pumps, tanks and related water facilities are located, and any easements or permits where water mains are located, otherwise than in streets dedicated to public use, including the rights of way for the transmission line from Well No. 1 to the distribution system and necessary egress and ingress to this installation

from the nearest public street or highway. Applicant 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.

6. Country Estates Water Co., Inc., on and after the effective date hereof and on or before March 31, 1960, may issue not to exceed 53 shares of its capital stock without par value for the purpose specified in the foregoing opinion.

7. Applicant shall file with the Commission a report or reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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

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

Dated at San Francisco, California, this 21st day of December, 19 .

Ernest R. Page
President
Edith L. Smith
Matthew J. Dool
Theodore J. Dool
Commissioners

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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated territory including Tracts Nos. 1951 and 2196 and vicinity, located approximately 9 miles east of Bakersfield, Kern County.

RATES

Per Meter
Per Month

Quantity Rates:

| | |
|--|---------|
| First 1,000 cu.ft. or less | \$ 4.50 |
| Next 2,000 cu.ft., per 100 cu.ft. | .35 |
| Next 5,000 cu.ft., per 100 cu.ft. | .25 |
| Over 8,000 cu.ft., per 100 cu.ft. | .20 |

Minimum Charge:

| | |
|--------------------------------|---------|
| For 5/8 x 3/4-inch meter | \$ 4.50 |
| For 3/4-inch meter | 6.50 |
| For 1-inch meter | 10.00 |
| For 1 1/2-inch meter | 17.00 |
| For 2-inch meter | 25.00 |

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 SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated territory including Tracts Nos. 1951 and 2196 and vicinity, located approximately 9 miles east of Bakersfield, Kern County.

RATES

Per Service Connection
Per Month

| | |
|---|---------|
| For a single family residence, including premises not exceeding 10,000 sq.ft. in area ... | \$ 5.00 |
| a. For each additional residence on the same premises and served from the same service connection | 3.00 |
| b. For each 100 sq.ft. of area in excess of 10,000 sq.ft. | .02 |

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. Meters 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. When a meter is installed at option of customer, metered service must be continued for at least 12 months before service will again be furnished at flat rate.

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Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated territory including Tracts Nos. 1951 and 2196 and vicinity, located approximately 9 miles east of Bakersfield, Kern County.

RATE

Per Month

For each hydrant \$ 1.50

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 the result of its normal operation of the system.