

**ORIGINAL**Decision No. 61488

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of H. D. RUNYAN and )  
 R. L. NORSWORTHY (Runyan & )  
 Norsworthy Water Company) to )  
 operate a water system in Sec- )  
 tion 11, Township 5 South, )  
 Range 10 East, M.D.B. & M., )  
 Stanislaus County; to establish )  
 rates, and be issued a certifi- )  
 cate of public convenience and )  
 necessity. )

Application No. 42446

H. D. Runyan, for applicants.  
W. B. Stradley, for the Commission staff.

O P I N I O N

The above-entitled application was filed July 7, 1960.

After due notice a public hearing was held before Examiner E. Ronald Foster at Turlock on November 16, 1960, at the conclusion of which the matter was submitted and is now ready for decision.

Applicants' Request and Proposed Service Area

Applicants are in the business of purchasing land and constructing residences thereon for sale. They have requested a certificate of public convenience and necessity to construct, maintain and operate a public utility for the distribution and sale of water in the Runyan-Norsworthy Tract, consisting of about 8 acres, which has been subdivided into 26 residential lots. The tract is a portion of the Crane Brothers Subdivision in Section 11, Township 5 North, Range 10 East, M.D.B. & M., which lies in unincorporated territory in Stanislaus County, approximately one mile northeast of the center of the City of Turlock.

The proposed service area does not lie within that of any municipal or privately owned water system. The city limits of Turlock extend within one-half mile of the said tract and a public utility water system operated by George W. Hayes serves an area about three-fourths of a mile away. None of the nearby systems has displayed any interest in serving this tract.

#### Description of Water System

Applicants' water supply consists of a 10-inch cased well approximately 130 feet deep, which is equipped with a 15-horsepower electric motor-driven pumping unit capable of producing about 300 gallons of water per minute when operating against an average system pressure of 40 pounds per square inch. The water is delivered through a 1,000-gallon hydropneumatic tank into the distribution system which consists of about 150 feet of 6-inch and 1,800 feet of 4-inch diameter Class 150 asbestos-cement pipe, laid mostly in the streets and partly in utility easements within the tract. One-inch service connections have been installed to each of the lots and there are two wharf-type fire hydrants connected to the water mains.

#### Cost of Facilities and Estimated Operations

According to applicants' principal witness at the hearing, the facilities installed to serve the tract have cost approximately \$8,900 as of September 1, 1960, or an average cost of about \$342 per service in the tract. At applicants' requested rates, the annual revenues and expenses were estimated by this witness to be as follows:

<u>Item</u>	<u>Estimated Year</u>	
	<u>1961</u>	<u>1962</u>
<u>Revenue</u>		
From 10 1-inch services	\$750	\$ -
From 26 1-inch services	-	1,950
<u>Expenses</u>		
Labor	150	390
Power and Pumping	150	300
Accounting and Collecting	10	15
General Expense	200	400
Taxes	50	130
Depreciation	271	271
Total	831	1,506
Net Revenue	(81)	444

(Loss)

Financing

Applicants are building and painting contractors and propose to finance their operations with their personal funds which will be augmented by the sale of some vacant lots and the construction and sale of homes on other lots within the tract. Exhibit B of the application consists of financial statements of the two applicants, which indicate that their combined resources are ample to carry on such operations.

They are aware of the fact that little or no return on the investment in utility property can be expected until full development of the subdivision is accomplished, which they estimate will require about two years.

Proposed Rates

The only rates proposed by applicants are for flat rate service, as follows:

<u>Classification</u>	<u>Per Service Connection Per Month</u>
For a single family residence or a business establishment, including premises:	
On a 3/4-inch service connection	\$5.75
On a 1-inch service connection	6.25
For each additional residence or business on the same premises and served from the same service connection	1.00

Although fire protection in the area is rendered by volunteers of a local county fire district, applicants have proposed no rate for service to fire hydrants on their water system.

Commission Staff Participation

In addition to questioning applicants' witnesses, a Commission staff engineer introduced Exhibit No. 1, which consists of a memorandum covering the results of his field investigation. He testified that the water system as designed meets the minimum requirements of the Commission's General Order No. 103 and that applicants' water supply of 300 gallons per minute is sufficient to furnish flat rate service to about 60 residential customers.

This witness pointed out, however, that applicants have not provided for an alternate source of supply or stand-by facilities to be available when the single well source may be shut down for repairs or maintenance. The engineer estimated that a second well, similar to the present one, equipped with a 5-horsepower pump unit, would cost about \$1,900. This is equivalent to over 20 per cent of the cost of existing facilities and, if installed, the total average cost per service would be about \$415. He stated that an average rate base of \$350 to \$450 per customer is typical of similar recently constructed water utilities. Furthermore, the addition of such facilities would increase the annual operating expenses by about \$130, or \$5 per customer, according to this witness. He also stated that the flat rates requested by applicants are at a considerably higher level than those recently authorized by the Commission for water utilities of like nature operating in the San Joaquin Valley.

The staff engineer recommended that rate schedules be established for both metered and flat rate service, and also for fire hydrants, at a level comparable with those of similar small water

utilities operating in the San Joaquin Valley area. He further recommended that before service is furnished to the public, applicants should be required to apply for a water supply permit from the appropriate health authority and also to arrange for suitable stand-by facilities to be available in case of failure or temporary interruption of the water supply from the present single well source.

#### Miscellaneous

The record shows that a number of lots within the tract have been sold to parties intending to build homes thereon and that applicants have themselves commenced the construction of houses on other lots for prospective occupants. It is planned that the tract will be purely residential in character, with no businesses contemplated. There are a few existing homes on properties adjacent to the tract which may want water service from applicants' system. Applicants also indicated the possibility of subdividing an adjoining tract. In either case, it is planned to render water service in accordance with the provisions of the water main extension rule.

In addition to an existing school, there are plans for constructing a new college nearby, which development is expected to create a demand for homes in this vicinity.

Lots within the tract vary in size from about 8,500 to 13,000 square feet in area. One of the applicants already occupies a home built on one of the two largest lots. It is also understood that homes of the character to be built in this tract will be equipped with air coolers of the water evaporating type.

In order to achieve greater equity to both the utility and customer, in the design of the flat rates to be authorized herein, instead of the proposed differential based on the size of the service connection, monthly charges will be determined by lot size, with additives for air coolers of either the water circulating or

noncirculating type and for more than one residence on the same premises. The flat rate schedule will be restricted to single family residential service and a comparable schedule of rates for general metered service will be authorized. It is estimated that the authorized rates will produce approximately the same total revenues as those which would be obtainable from the rates proposed by applicants.

#### Findings and Conclusions

Applicants' water supply and distribution facilities appear to be well designed to meet the minimum requirements of the Commission's General Order No. 103 and there should be no difficulty in rendering adequate service to the initial tract and a few additional homes to which service might be extended. To provide for continuity of service under all possible contingencies, it is desirable to provide for a second source of potable water supply or the alternative of adequate storage, either elevated or at ground level with a booster pump preferably fuel driven. However, we conclude that to require applicants to install such stand-by facilities at the present time would impose an unreasonable additional capital outlay and operating expense, which would ultimately have to be borne by the customers of the utility. Therefore, we find such a requirement is not warranted until a time when more customers may be dependent upon the service to be provided by applicants.

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

It appears, and we find, that applicants are financially able to operate the water system during the development period when

little or no return on their utility investment will be realized from the operation thereof.

The Commission finds and concludes that public convenience and necessity require that the requested certificate be granted. 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 Stanislaus. Applicants have applied to the Stanislaus County Health Department for a water supply permit.

The certificate hereinafter granted shall be 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 H. D. Runyan and R. L. Norsworthy to construct, maintain and operate a public utility water system for the distribution and sale of water in that portion of the Crane Brothers Subdivision designated as the Runyan-Norsworthy Tract, and vicinity, located approximately one mile north of the City of Turlock, Stanislaus County, in unincorporated territory in Section 11, Township 5 North, Range 10 East, M.D.B. & M., as shown on the map attached to the application.

IT IS FURTHER ORDERED that:

1. Applicants are 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. 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.

3. 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 50 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.

4. 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.

5. If the authorization herein granted is exercised, applicants shall dedicate to public utility purposes the land parcels or areas on which the well, pump, tank, and related water facilities are located and any easements or permits where water mains are or will be located, otherwise than in streets dedicated to public use, including the right of way for the transmission line from the well to the distribution system, 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.

6. Applicants shall not extend service outside the Runyan-Norsworthy Tract certificated herein except to the houses existing as of the date of this order located on either side of North Olive Avenue between the south boundary of said tract extended and North Avenue without authority first having been obtained from this Commission.

7. Except as specifically granted herein, the application is denied.

The authorization herein granted will expire if not exercised within one year after the effective date of this order.

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

Dated at San Francisco, California, this 14<sup>th</sup> day of FEBRUARY, 1961.

[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 including Runyan-Norsworthy Tract, and vicinity, located approximately 1 mile north of the City of Turlock, Stanislaus County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less .....	\$ 5.00
Next 2,000 cu.ft., per 100 cu.ft. ....	.35
Next 7,000 cu.ft., per 100 cu.ft. ....	.25
Over 10,000 cu.ft., per 100 cu.ft. ....	.20
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 5.00
For 3/4-inch meter .....	7.00
For 1-inch meter .....	11.00
For 1 1/2-inch meter .....	18.00
For 2-inch meter .....	29.00
For 3-inch meter .....	45.00
For 4-inch meter .....	67.00

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 area including Runyan-Norsworthy Tract, and vicinity, located approximately one mile north of the City of Turlock, Stanislaus County.

RATES

	<u>Per Service Connection Per Month</u>
For a single family residence, including premises not exceeding 8,500 sq.ft. in area .....	\$5.50
a. For each additional residential unit on the same premises and served from the same service connection .....	1.00
b. For each 100 sq.ft. of area in excess of 8,500 sq.ft. ....	.03
c. For each evaporative type air cooler, in addition to basic flat rates, during the 6-month period May through October:	
Circulating type .....	.50
Non circulating type .....	1.00

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than 1-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.

(Continued)

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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE  
(Continued)

SPECIAL CONDITIONS

4. Charges for air coolers will apply as provided in the above schedule except in those cases where the customer notifies the utility in writing which months during the above period any air cooler will not be in service, and provided that such unit is disconnected during said months subject to inspection by utility representatives.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including Runyan-Norsworthy Tract, and vicinity, located approximately 1 mile north of the City of Turlock, Stanislaus County.

RATE

Per Month

For each hydrant ..... \$2.00

SPECIAL CONDITIONS

1. The cost of installation and maintenance of hydrants will be borne by the utility.
2. Relocation of any hydrant shall be at the expense of the party requesting relocation.
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.
4. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.