

**ORIGINAL**Decision No. 61912

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Jack and Lois M. Strange, Husband and Wife, and Glenn R. and Eva Lee Cline, Husband and Wife, for a certificate of public convenience and necessity to operate a public utility system (water) in Tract No. 175 and proposed Tract No. 330, Tulare County, and to establish rates for the service of water therefrom.

Application No. 43005  
(Amended)

O P I N I O N

By the above-entitled application, filed December 27, 1960, and by amendments thereto filed January 23 and 30, 1961, Jack Strange, Lois M. Strange, Glenn R. Cline and Eva Lee Cline request a certificate of public convenience and necessity to construct and operate a public utility water system in Tracts No. 175 and No. 330, in unincorporated territory in Tulare County, and for the establishment of rates for water service to be rendered therein.

Applicants allege that copies of the application and of the amendments thereto were sent to the City of Porterville, to the Tulare County Health Department and to four existing water systems in the neighborhood located as shown on the map attached to the application as Exhibit A. No protests regarding this application have been received by the Commission.

A field investigation in connection with this application was made by a staff engineer of the Commission on January 18, 1961. The results of this investigation are outlined in a memorandum dated

March 17, 1961, which is hereby made a part of the record in this matter as Exhibit No. 1.

Service Area

The area for which a certificate is requested contains approximately 37 acres and is located in the north half of the southeast quarter of Section 32, Township 21 South, Range 28 East, M.D.B. & M., which is over 1½ miles southeast of the present city limits of Porterville. Tract No. 175, consisting of 20 lots, is on the east side of Alta Vista Street, between Springville Avenue and Crabtree Avenue. Tract No. 330 adjoins Tract No. 175 on the east and has been subdivided into 116 lots. The initial development of the water system is designed to serve 33 lots and is planned to be extended in the near future to ultimately serve all of the 136 lots.

Most of the lots have areas between 8,000 and 10,000 square feet but a number of them are somewhat bigger, the largest one containing approximately 25,000 square feet.

Several lots in Tract No. 175 have been sold and three residences constructed thereon are already occupied.

Description of Water System

The initial water supply for the system will consist of two existing wells, capable of producing 175 and 80 gallons of water per minute and presently equipped with 10- and 2-horsepower pumping units. Two additional existing wells will be equipped and made available for future use when required. The pumps will deliver the water into the distribution mains through a 3,000-gallon hydro-pneumatic tank fitted with controls to maintain suitable system pressure. The distribution system will be laid

mostly in utility easements and partly in streets within the tracts and will ultimately consist of about 7,300 feet of 3-, 4- and 6-inch Class 150 asbestos cement pipe. Some existing two-inch steel pipelines, to be used initially, will be abandoned when final construction is completed. Service connections of the sizes required by General Order No. 103 will be provided for the lots in the two tracts. Five fire hydrants will be installed in connection with the system at specified locations.

Based on Exhibit D of the application, the estimated cost of the utility plant revised and classified as shown in Exhibit No. 1 is as follows:

<u>Description</u>	<u>Initial Stage</u>	<u>Ultimate Development</u>
Organization	\$ 200	\$ 200
Land	7,000	7,000
Wells	3,150	6,300
Pumping Equipment	6,046	12,000
Hydro-pneumatic Tank	2,500	2,500
Trans. & Distr. Mains	2,391	13,497
Service Connections	561	2,312
Fire Hydrants	<u>145</u>	<u>725</u>
Total	\$21,993	\$44,534

Applicants propose to render all service initially on a flat rate basis, for which reason no meters have been included in the estimated costs shown above. However, they have requested that a schedule of rates for metered service also be established at this time.

Proposed Rates

In the second amendment to the application, the following rates are proposed for the water service to be rendered:

<u>Flat Rate Service</u>	<u>Per Month</u>
Per residence	\$4.50
<u>General Metered Service</u>	<u>Per Meter Per Month</u>
Quantity Rates:	
First 1,000 cubic feet or less	\$4.00
Next 1,000 cubic feet, per 100 cu. ft.	.25
Next 2,000 cubic feet, per 100 cu. ft.	.20
Over 4,000 cubic feet, per 100 cu. ft.	.15
Minimum Charge:	
For 5/8 x 3/4-inch meter	4.00
For 3/4-inch meter	5.50
For 1-inch meter	8.00
For 1½-inch meter	13.00
For 2-inch meter	18.00
<u>Public Fire Hydrant Service</u>	<u>Per Month</u>
Per hydrant	\$2.00

The proposed rates are comparable to those charged for similar service rendered by other water supply agencies in this vicinity. They appear to be reasonable and will be authorized, except that the flat rate of \$4.50 per month will be limited to single family residences on premises not exceeding 10,000 square feet in area and the authorized schedule will include an additive rate of three cents per 100 square feet of area in excess of 10,000 square feet. The same schedules of rates will be authorized for the area certificated by Decision No. 61913, (Application No. 43068), being issued concurrently herewith. In the event that the certificate granted by either of these concurrent decisions is not exercised, the territorial description on the authorized rate schedules will be appropriately revised.

Estimated Results of Operation

In Exhibit E attached to the application, there is shown a summary of earnings with estimated operating revenues from 136 customers at the flat rate proposed in the original application. In the following tabulation, operating revenues have been estimated at the lesser flat rate of \$4.50 proposed in the second amendment to the application, increased by a nominal amount for revenue from over-sized lots, and including revenue from the five fire hydrants. Using operating expenses, taxes and depreciation as estimated by applicants and with taxes on income revised accordingly, the revised results of operation would then be as shown:

Total annual operating revenue		\$7,600
Operating Expenses	\$2,550	
Depreciation	1,400	
Taxes, other than Income	750	
Income Taxes, State and Federal	<u>600</u>	
Total Deductions		<u>5,300</u>
Annual Net Revenue		\$2,300
Return on Investment of \$44,534		5.15%

Applicants are aware of the fact that little or no return on the investment in utility property can be expected until full development of the two subdivisions is accomplished, which may require several years.

Financing

Attached to the application as Exhibits F-1 and F-2 are financial statements dated December 21, 1960, which show the combined net worth of the applicants to be about \$267,000.

Applicants propose to finance the construction of the water system with cash from their own personal funds. They allege that they have the requisite financial ability to carry on the operation of the water system during the development period when expenses of operation may exceed operating revenues.

Miscellaneous

The application states that no franchise for the operation of a public utility water system is required by the County of Tulare.

Applicants will be required by the order herein to apply to the appropriate public health authority for a water supply permit.

To set apart the property necessary for utility operations, the order herein will require that there be dedicated to public utility purposes the property on which are located, or to be located, any facilities necessary to the water utility operation, such as wells, pumping units, tanks and related facilities, as well as easements or rights of way for pipelines which are not located in public streets.

Findings and Conclusions

Applicants' water system, as proposed, appears to be properly designed to furnish adequate water service to the area requested to be certificated and to meet the minimum requirements of this Commission's General Order No. 103.

The Commission finds that applicants possess the necessary financial resources to institute and maintain the water service proposed to be rendered.

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 attached to this order are fair and reasonable for the service to be furnished.

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

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it hereby is, granted to Jack Strange, Lois M. Strange, Glenn R. Cline and Eva Lee Cline, to construct and operate a public utility water system, to be known as Acme Water Company, for the distribution and sale of water within the adjoining subdivisions designated as Tract No. 175 and Tract No. 330, in an unincorporated area of the County of Tulare, approximately three miles southeasterly of the City of Porterville, as delineated on the maps attached to the application herein as Exhibits A and B.

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. However, in the event the certificate granted to applicant by Decision No. 61913 in Application No. 43068 is not exercised concurrently with the certificate herein granted, the description under "Territory" on the rate schedules in Appendix A shall be appropriately revised to exclude Tract No. 325. 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 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.

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 certificate herein granted is exercised, applicants shall dedicate to public utility purposes the lots or land areas on



which the wells, pumps, tanks and other related water supply facilities are located and any easements or permits where water mains are or will be located, other than in public streets, and shall file, 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. Prior to the date service is first rendered to the public under the rates and rules authorized herein, applicants shall (a) apply to the public health authority having jurisdiction for a water supply permit for the proposed system, and (b) report to the Commission, in writing, within ten days thereafter that such application has been made.

The certificate herein granted and the authority to render service under the rates and rules authorized herein 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 1<sup>st</sup> day of May, 1961.

Robert W. Lee  
President

E. L. Fox

George G. Trover

Friedrich B. Holshoff  
Commissioners

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including Tracts Nos. 175 and 330, and vicinity, located approximately 3 miles southeast of the City of Porterville, and Tract No. 325, and vicinity, located approximately 3 miles northwest of the City of Porterville, Tulare County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
<b>Quantity Rates:</b>	
First 1,000 cu.ft. or less . . . . .	\$ 4.00
Next 1,000 cu.ft., per 100 cu.ft. . . . .	.25
Next 2,000 cu.ft., per 100 cu.ft. . . . .	.20
Over 4,000 cu.ft., per 100 cu.ft. . . . .	.15
<b>Minimum Charge:</b>	
For 5/8 x 3/4-inch meter . . . . .	\$ 4.00
For 3/4-inch meter . . . . .	5.50
For 1-inch meter . . . . .	8.00
For 1 1/2-inch meter . . . . .	13.00
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 Tracts Nos. 175 and 330, and vicinity, located approximately 3 miles southeast of the City of Porterville, and Tract No. 325, and vicinity, located approximately 3 miles northwest of the City of Porterville, Tulare County.

RATE

	<u>Per Service Connection Per Month</u>
For a single family residence, including premises not exceeding 10,000 sq.ft. in area . .	\$ 4.50
For each 100 sq.ft. of area in excess of 10,000 sq.ft. . . . .	.03

SPECIAL CONDITIONS

1. The foregoing flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by this schedule will be furnished only on a metered basis.
3. Meters will be installed if either the utility or customer so desires, 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 municipalities, duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated area including Tracts Nos. 175 and 330, and vicinity, located approximately 3 miles southeast of the City of Porterville, and Tract No. 325, and vicinity, located approximately 3 miles northwest of the City of Porterville, Tulare County.

RATE

	<u>Per Month</u>
For each 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.