

61913

Decision No. _____

ORIGINAL

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. 325, Tulare County, and to establish rates for the service of water therefrom.

Application No. 43068
(Amended)

O P I N I O N

By the above-entitled application, filed January 16, 1961, 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 Tract No. 325, 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 10 acres and is located in the east half of the east half of the southwest quarter of the southeast quarter of Section 21, Township 21 South, Range 27 East, M.D.B.&M., which is about one mile northwest of the present city limits of Porterville. Tract No. 325 has been subdivided into 36 lots which vary in size from about 9,000 to 10,000 square feet. The tract extends from Henderson Avenue on the south to Mulberry Avenue on the north and is situated about midway between Newcomb Road and Road 228.

The water system will initially serve only the lots in Tract No. 325 but it is designed so that it may be extended in the future to supply adjacent areas to the east, west or north.

Description of Water System

The primary water supply for the system will consist of an existing well, capable of producing 200 gallons of water per minute and to be equipped with a 15-horsepower pumping unit. Standby service is proposed to be provided through the use of another existing well which, when equipped with a 2-horsepower pumping unit, will be capable of producing approximately 70 gallons of water per minute. The pumps will deliver the water into the distribution mains through a 3,000-gallon hydropneumatic tank fitted with controls to maintain suitable system pressure. The initial distribution system will be laid in the main street of the tract and will consist of about 1,370 feet of 4- and 6-inch Class 150 asbestos cement pipe. Three-quarter inch service connections will be provided for each lot in the tract. Two 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>Estimated Cost</u>
Organization	\$ 100
Land	2,500
Wells	3,314
Pumping Equipment	5,719
Hydropneumatic Tank	2,500
Trans. & Distr. Mains	2,384
Service Connections	665
Fire Hydrants	290
Total	\$17,472

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>
<u>Quantity Rates:</u>	
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
<u>Minimum Charge:</u>	
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
<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 and are the same as those requested by these same applicants in Application No. 43005. 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. ⁶¹⁹¹², (Application No. 43005), 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 35 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 small amount of revenue from the two 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		\$1,938
Operating Expenses	\$655	
Depreciation	347	
Taxes, other than Income	102	
Income Taxes, State and Federal	<u>173</u>	
Total Deductions		<u>1,277</u>
Annual Net Revenue		661
Return on Investment of \$17,472		3.78%

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 tract and surrounding area 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 subdivision designated as Tract No. 325, in an unincorporated area of the County of Tulare, approximately three miles northwesterly 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 applicants by Decision No. ⁶¹⁹¹² in Application No. 43005, 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. 175 and Tract No. 330. 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 1st day of May, 1961.

[Signature]
President
[Signature]
George T. [Signature]
Fredrick B. Holoboff
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>
Quantity Rates:	
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
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 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. 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.