

ORIGINALDecision No. 71419

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ORIAN CAMPBELL and GLADYS CAMPBELL,)
 dba Country Lane Water Co., for a)
 certificate of public convenience)
 and necessity to operate a public)
 utility water system near Weldon, in)
 Kern County, California, and to es-)
 tablish rates for service.)

Application No. 48155
 (Filed December 29, 1965)
 (Amended July 5, 1966)

O P I N I O N

Applicants Orian Campbell and Gladys Campbell, husband and wife, dba Country Lane Water Co. request a certificate of public convenience and necessity to construct and operate a public utility water system in an unincorporated area in Kern County and to establish rates. A staff report presenting the results of a review of the application, several conferences with Mr. Campbell and his attorney, and a field investigation on February 10, 1966, by an engineer of the Commission's Utilities Division, Hydraulic Branch, will be included in the record as Exhibit No. 1.

Applicants reside in the area presently served by the water system. They manage the operation of the water company and the development of two subdivisions, together with the operation of an alfalfa field which will be reduced in size as subdivisions develop. Applicants own about two thirds of the area requested to be certificated.

The area for which a certificate is requested is on the south side of State Highway 178 in a portion of Sections 4 and 9 T 26S, R35E, M.D.B.&M. It is located northeast of the community of Cnyx, approximately five miles northeast of Weldon and about 20 miles

northeast of Lake Isabella. The requested area consists of approximately 121 acres of relatively flat land at an elevation of about 2,750 feet above sea level. The area is "L" shape with an eastern, a central and a southern section, each with different characteristics.

The 40 acres lying to the east were subdivided several years ago into 19 parcels consisting of a 5-acre county park, ten 2-1/2 acre parcels and eight parcels of various sizes ranging from 1/2 to 2 acres. There are now eight houses, including one owned by applicants, and six trailers or trailer homes in this section. The county park and 15 residential premises are being furnished water service by applicants.

The central section is approximately 41 acres. Tract 2965 is in the western half of this section. This county-approved tract consists of 11 acres subdivided into 29 residential lots which range in size from 11,250 to 12,500 square feet. Applicants also have filed Tract 3016 with Kern County, a tentative 33-lot subdivision of 10 acres situated on the east side of Tract 2965. The lots will be similar to the lots in Tract 2965. The remainder of the central section is undeveloped.

The southern section is a 40-acre parcel which is undeveloped except for two houses on 1.5 acres in the northeast corner. One is applicants' rental property and the other one is the home of applicants' daughter. Applicants have made no showing that public convenience and necessity would be served by inclusion of the unoccupied 38.5 acres in the certificated area.

There is no other water system in the immediate area of applicants' system. The closest public utility water system is South Lake Water Company serving an area approximately 10 miles

westerly. Rainbird Mutual Water Co. provides water to its members in Weldon, five miles southeast of the County Lane system.

Applicants have two wells for their sources of water supply located approximately in the center of the requested area. Well No. 1, the primary source of water supply, is 16 inches in diameter and 152 feet in depth. The well is equipped with a 30-hp electrically-driven pump which was completely rebuilt in 1963. With the water level at 88 feet below ground surface, this pump delivers approximately 1,000 gpm to the nearby storage tank. Well No. 2 is located approximately 350 feet south of Well No. 1. It is 10 inches in diameter and 98 feet deep and has a steel casing. The 3-hp pump in this well is reported to be capable of delivering 500 gpm on an open flow test. This well pump with its associated 300-gallon pressure tank is connected to the water system by means of 650 feet of 2-inch galvanized steel pipe. It should be considered useful for emergency purposes only.

The storage tank, connected to the No. 1 well by means of 20 feet of 8-inch steel pipe, is corrugated galvanized steel mounted on a concrete base and has a capacity of 41,500 gallons. The hydro-pneumatic facilities include about 20 feet of 4-inch suction pipe from the storage tank, a 5-hp booster pump and a 3,000-gallon pressure tank equipped with an air compressor. The booster pump delivers 85 to 100 gpm into the pressure tank with pressures ranging between 70 and 40 psig, which is not sufficient to serve the area requested. Applicants are aware of this and have ordered a 10-hp booster pump with a capacity of 250 gpm for future installation. With the additional booster pump, production facilities will be adequate to furnish service to the east 40 and central 41-acre areas and to the northeast 1-1/2-acre parcel in the south 40-acre area.

The transmission and distribution system to serve Tract 2965 in the central section includes a transmission main from the pressure tank to the distribution system of 8-inch Class 150 asbestos-cement pipe approximately 1,070 feet in length. The distribution system in this tract consists of approximately 1,295 feet of 4-inch Class 150 asbestos-cement pipe laid in the parking strip on the north side of the street. A typical service is a 1-1/2-inch galvanized pipe which branches to four 3/4-inch copper pipe service connections, two on each side of the street. There are two 4 x 2-1/2-inch wharf-type hydrants. One is to be used for flushing the dead end of the main. There are two dead ends which will be eliminated when the system is extended. These facilities were installed in late 1965 and meet the requirements of General Order No. 103. Distribution facilities had not been designed for Tract 3016 at the time of this investigation.

The transmission and distribution system to serve the eastern area consists of 1,320 feet of 4-inch, 12 gauge double dipped but unwrapped steel pipe laid in a roadway through the center of the tract. This 4-inch main was installed in 1961 and 1962. The 2-inch galvanized steel pipe, mentioned above, was installed about 1949 to serve applicants premises and, since about 1962, connects Well No. 2 to the 4-inch distribution main. This 2-inch main serves three customer premises. Connecting with the 4-inch main is approximately 900 feet of 2-inch galvanized steel pipe installed in 1957 which serves the store premises in the central section fronting on State Highway 178. Service pipes in the eastern section are 1-1/2-inch galvanized steel pipe branching into two 3/4-inch services to 2-1/2-acre parcels. The 5-acre county park is served by means of a 2-inch galvanized service pipe.

The 4-inch unwrapped main does not meet the requirements of General Order No. 103 and the 2-inch main serving the store premises exceeds the maximum length of pipelines of this size permitted by the general order.

On December 22, 1965, the State Department of Public Health issued a temporary water supply permit for Well No. 1, distribution lines, storage tank and pressure tank. Well No. 2 is not covered by the permit.

The applicants have not maintained accounting records in a manner which permits verification of charges to and balances in the plant accounts. Exhibit 2 attached to the amendment to the application shows applicants' estimated plant costs. The staff engineer obtained substantiating information for plant costs from vouchers and canceled checks furnished by applicants. The following tabulation sets forth a comparison of the staff's determination of the plant costs as of January 1, 1966 with those shown on Exhibit 2.

Utility Plant January 1, 1966

:Ac.: :No.:	Item	:Applicant: : Total	: Commission Staff		
			: Facilities : Installed : Prior 1965	: Facilities: : Installed : : in 1965: Total	
(1)	(2)	(3)	(4)	(5)	(6)
301	Intangible Plant	\$ 3,000	\$ -	\$ -	\$ 500
306	Land	1,000	-	-	1,000
315	Wells	4,472	3,109	-	3,109
324	Pumping Equipment	4,440	6,328	-	6,328
342	Tanks, 1-Storage & 2-Pressure	4,304	4,182	-	4,182
343	Water Mains	3,642	2,140	6,808	8,948
345	Services	857	191	1,766	1,957
348	Hydrants	96	80	137	217
	Total	26,811	16,030	8,711	26,241

Applicants' \$3,000 intangible plant includes \$2,500 for engineering fees. These funds were expended in 1965 in connection with the water system in Tract 2965; therefore, the staff allocated \$1,954 for mains, \$507 for services and \$39 for fire hydrants based on the direct cost of these facilities. A 1949 invoice in the files of a Bakersfield pump firm supports an expenditure of \$1,088.39 for the drilling and equipping of Well No. 2. The staff estimated \$650 for the 2-inch pipe connecting Well No. 2 to the 4-inch main and \$30 for fire hydrants. These were included on the appropriate line in column 4 in the preceding tabulation.

Applicants have not recorded depreciation accruals or a reserve for depreciation applicable to their depreciable water facilities. Accordingly, the staff computed a total depreciation reserve of \$5,163 as of January 1, 1966, a remaining life of 25.3 years and a composite depreciation rate of 3.1 per cent.

Applicants installed the water system facilities with their own funds. The application shows their net worth to be \$229,348, and that they are willing and financially able to absorb operating losses during a development period in the future.

Applicants request that schedules for flat rate, meter rate and fire hydrant services be established. The meter rate appears to be reasonable except that the minimum charges for 3/4- and 1-inch meters should be \$3.80 and \$6.50 rather than \$3.25 and \$5.50, respectively. Also minimum charges should be established for 1-1/2- and 2-inch meters.

The flat rate schedule with the area qualification eliminated appears to be reasonable, and reflects the rates presently being charged. The first customers were served in 1962 and have increased to 19 in number as of June, 1966. Applicants plan to continue furnishing service at flat rates.

The rates set forth in Appendix A to the following order are substantially those requested by applicants with the staff's recommended monthly minimums for 3/4-, 1-, 1-1/2 and 2-inch meters and the above-mentioned deletion in the flat rate schedule.

Exhibit 3, attached to the amendment to the application, shows estimated operating results for the first year as a certificated utility with 19 customers. With an estimated 50 customers at the end of five years and the same basic \$3 flat rate, the staff estimates that the system revenues will not be sufficient to cover operating expenses, taxes, depreciation and reasonable compensation for the owners.

The certificated area will be limited to the east 40- and central 41-acre areas and to the northeast 1-1/2-acre parcel in the south 40-acre area as shown on the map, Exhibit 1, attached to the amendment to the application.

Applicant is hereby placed on notice that extraordinary maintenance costs or premature replacement costs occasioned by the installation of the unwrapped 4-inch main will not be considered by the Commission as justification for increased rates in future proceedings before this Commission.

Applicants will be required to apply to the appropriate health authorities for a water supply permit which includes Well No. 2.

Applicants will be required to establish formal books of account in conformity with the applicable Uniform System of Accounts prescribed by this Commission, and record therein the utility plant and depreciation revenue account balances as of January 1, 1966, determined by the staff as set forth in the staff report.

Applicants will be required to apply the composite depreciation rate 3.1% beginning with the year 1966.

The Commission finds that:

1. Public convenience and necessity require that the application be granted as set forth in the ensuing order.
2. Applicants possess the financial resources to operate the proposed system.
3. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.
4. Applicants' water supply and distribution facilities will provide reasonable service for the 82-1/2-acre area referred to in the following order and substantially meet the requirements of General Order No. 103 when the corrections indicated on page 5 of the foregoing opinion are made.
5. Applicants have not yet procured a permit for Well No. 2 from the public health authority having jurisdiction.

The Commission concludes that the sought certificate should be granted subject to the terms and conditions imposed by the following order.

The certificate hereinafter granted shall be subject to the following provision of law:

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

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Orian Campbell and Gladys Campbell, his wife, authorizing them to construct a public utility water system to serve the east 40- and central 41-acre areas and the northeast 1-1/2-acre parcel in the south 40-acre area as shown on the map, Exhibit 1, attached to the amendment to the application, Kern County.

2. Applicants are authorized to file, after the effective date of this order, the schedule of rates set forth in Appendix A to this order, a tariff service area map clearly indicating the boundaries of the certificated area, appropriate general rules, and copies of printed forms to be used in dealing with customers. Such filing shall comply with General Order No. 96-A and the tariff schedules shall become effective on the fourth day after the date of filing.

3. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

4. Within ten days after the date service is first rendered to the public under the authority granted herein, applicants shall submit written notice thereof to this Commission.

5. Applicants shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within thirty days after the water system is placed in operation under the authority granted herein, applicants shall file with the Commission two copies of the map.

6. Applicants shall establish formal books of account in conformity with the applicable Uniform System of Accounts prescribed by the Commission and record therein the utility plant and depreciation

reserve account balances as of January 1, 1966 as determined by the staff, as set forth in the tabulation contained in paragraph 15 and Form D-2 of the staff report.

7. Beginning with the year 1966, applicants shall apply a depreciation rate of 3.1 per cent to the original cost of depreciable plant. Until review indicates otherwise, applicants shall continue to use this rate. Applicants shall review their depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to the Commission.

8. Prior to the date service is first furnished to the public under the authority granted herein, applicants shall apply to the Kern County Department of Public Health for a water supply permit which includes Well No. 2, and so advise this Commission in writing.

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

Dated at San Francisco, California, this 18th day of OCTOBER 1966.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract 2965, and vicinity, located approximately five miles northeast of Weldon, Kern County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu. ft. or less	\$ 2.50
Next 1,200 cu.ft., per 100 cu. ft.30
Over 2,000 cu-ft., per 100 cu. ft.20
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.50
For 3/4-inch meter	3.80
For 1-inch meter	6.50
For 1 1/2-inch meter	11.00
For 2-inch meter	16.00

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

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

The area known as Tract 2965, and vicinity, located approximately five miles northeast of Weldon, Kern County.

RATES

	<u>Per Service Connection Per Month</u>
1. For a single-family residential unit, mobile home, or commercial unit	\$ 3.00
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.50
2. County Park	30.00

SPECIAL CONDITIONS

1. Flat rates in 1. above apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classifications shall be furnished only on a metered basis.

3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The area known as Tract 2965, and vicinity, located approximately five miles northeast of Weldon, Kern County.

RATE

	<u>Per Month</u>
For each hydrant	\$2.00

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, General Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.