

ORIGINALDecision No. 75994

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of FRANCIS H. FERRARO to:)
 Purchase assets of CALUMET WATER COMPANY,)
 Supply water service at present rates,)
 Be granted a certificate of public)
 convenience and necessity.)

Application No. 50716
 (Filed November 29, 1968;
 Amended March 26, 1969)

O P I N I O N

Ruth E. Jarvis and Betty E. Johnson (sellers) request authorization to transfer their water system, known as the Calumet Water Company, to Francis H. Ferraro (buyer). Issuance of a certificate of public convenience and necessity and rate authorization are also requested.

The comprehensive report of the staff's investigation of this public utility, dated June 10, 1969, is hereby received as Exhibit No. 1.

The area for which a certificate is requested is near the southeast portion of the City of Fresno, Fresno County, and includes approximately 17 acres subdivided into 80 lots. Eighty customers are presently charged a flat rate of \$4.00 per month, payable quarterly in advance. Buyer requests continuance of this rate.

Buyer owns Water Utility Service Company, which furnishes management, maintenance, bookkeeping and accounting services to two other water utilities in Fresno County, the PPD Corporation and the Kavanagh Vista Water Co., owned by buyer and serving a total of 1050 customers. This Commission has also authorized the transfer of 3 additional public utilities to buyer, serving about 390 customers.

Buyer intends to service Calumet Water Company by means of his service company. The service company presently has two employees and the necessary supplies and equipment to perform the required services in an efficient and reliable manner.

The water system was originally constructed in 1952 by Pinole Land Company and was later transferred to Calumet Construction Company, the stock of both of these corporations being primarily owned by a Mr. Leo Jarvis, now deceased. Sellers are the heirs of Mr. Jarvis and are not familiar with water operation.

Buyer believes that granting of this application will be in the public interest since it would not be economical for sellers to hire professional services to operate and maintain the system due to the small number of customers. Buyer believes he can integrate their system with his present operations and provide efficient service.

It appears that the records of original cost were destroyed in a fire several years ago. Buyer has estimated the original cost of the water system to be \$18,150 and is preparing an original cost and depreciation reserve requirement study to enable him to establish proper utility plant accounting records. The agreement to sell the utility, attached to the application, provides that all assets of the utility shall be sold for \$10,000 in cash; of which \$200 is allocated to real property and the remainder is allocated to other assets.

The staff recommends that:

1. The transfer be authorized.
2. A certificate of public convenience and necessity be granted.

3. Buyer be required to submit a detailed original cost appraisal together with a depreciation reserve requirement study.

4. Buyer be required to indicate availability of records of Utility Service Company to the Commission for review.

We find that:

1. Buyer has the ability to acquire and operate sellers' water system without interruption in service.

2. Upon the consummation of the proposed transfer sellers will no longer be performing public utility service.

3. Subject to the conditions set forth in the order which follows, the proposed sale and transfer will not be adverse to the public interest.

4. Public convenience and necessity require that a certificate be granted.

5. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.

6. Service provided by the utility is adequate.

7. Public hearing is not necessary.

The certificate of public convenience and necessity issued herein is 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.

The action taken herein is for the issuance of a certificate of public convenience and necessity only and is not to be considered as indicative of amounts to be included in proceedings for the purpose of determining just and reasonable rates.

We conclude that the application should be granted as provided in the following order.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Ruth E. Jarvis and Betty E. Johnson may sell and transfer to Francis H. Ferraro the water system known as the Calumet Water Company substantially in accordance with the terms described in the agreement attached to the application.
2. On or before the date of actual transfer, Ruth E. Jarvis and Betty E. Johnson shall refund all customers' deposits and all amounts under advances for construction agreements representing refunds due and payable, if any, as of the date of transfer.
3. Within five days after the date of actual transfer, sellers and buyer jointly shall file in this proceeding a written statement showing:
 - a. The date of transfer. A true copy of the instrument or instruments of transfer shall be attached to the statement.
 - b. The dates of compliance with the foregoing ordering paragraph 2, or a statement that there were no deposits or advances for construction held by sellers.
4. Upon compliance with all of the conditions of this order, sellers shall stand relieved of any public utility obligation they may have in the area served by the transferred system and may discontinue service concurrently with the commencement of service by buyer.

If the authorization herein above granted is exercised,
IT IS FURTHER ORDERED that:

5. A certificate of public convenience and necessity is granted to Francis H. Ferraro, doing business as Calumet Water Company, authorizing him to construct a public utility water system to serve the following described area:

Four blocks of 20 lots each in the Park Manor Tract near the southeast portion of the City of Fresno, Fresno County, bounded by avenues East Lowe and East Lyell on the north, East Butler on the south, South Sierra Vista and South Recreation on the west and South Chestnut on the east.

Such certificate shall not become effective until buyer shall have filed in this proceeding a stipulation substantially as follows:

The Commission, each commissioner, and each officer and person employed by the Commission may, at any time, inspect the accounts, books, papers, and documents of Water Utility Service Company or other entity under control of Francis H. Ferraro which furnishes management, maintenance, bookkeeping, accounting or other services to water systems under the jurisdiction of this Commission owned or controlled by him.

6. Buyer shall file, after the effective date of this order, the schedules of rates set forth in Appendix A to this order, tariff service area maps 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.

7. Buyer shall, before December 31, 1969, file in this proceeding a detailed historical cost appraisal, including a depreciation reserve requirement study, acceptable to the Commission.

8. Buyer shall prepare and keep current the system map required by Paragraph I.10.c of General Order No. 103. Within sixty days after the water system is placed in operation under the authority granted herein, buyer shall file with this Commission two copies of such map.

9. For the year 1969, buyer shall apply a depreciation rate of 3.0 percent to the original cost of depreciable plant. Until review indicates otherwise, applicant shall continue to use this rate. Buyer shall review his 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.

10. The authority granted herein shall expire unless the designated tariff sheets are filed 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 5th day of AUGUST, 1969.

William Squares Jr.
President

Howard B. M... ..
Commissioners

T. B.
Commissioners

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Park Manor Subdivision, immediately northwest of the intersection of Chestnut and Butler Avenues, and vicinity, Fresno, Fresno County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 600 cu.ft. or less	\$3.25
Next 1,400 cu.ft., per 100 cu.ft.....	.20
Next 2,000 cu.ft., per 100 cu.ft.....	.18
Over 3,000 cu.ft., per 100 cu.ft.....	.15
Minimum Charge:	
For 5/8 x 3/4-inch meter.....	3.25
For 3/4-inch meter.....	4.00
For 1-inch meter.....	5.50
For 1 1/2-inch meter.....	11.00
For 2-inch meter.....	14.00

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 flat rate residential water service.

TERRITORY

Portions of Park Manor Subdivision, immediately northwest of the intersection of Chestnut and Butler Avenues, and vicinity, Fresno, Fresno County.

RATES

	<u>Per Service Connection Per Month</u>
For a single-family residential unit, including premises not exceeding 8,000 sq. ft. in area	\$4.00

SPECIAL CONDITIONS

1. The above flat rate applies to a service connection not larger than one inch in diameter.
2. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.