

Decision No. 46090

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
the Hacienda Water Company, a)
California corporation, for a)
Certificate that Public Convenience)
and Necessity Requires the)
Installation of a Water System and)
for Authorization to Issue Stock)
for Public Sale.)

Application No. 32338
(Amended)

Hacienda Water Company by
William I. Locarnini, attorney;
George F. Tinkler and John F. Donovan,
for the Commission staff.

O P I N I O N

In this application, filed April 24, 1951 and as amended on June 15, and July 23, 1951, Hacienda Water Company, a California corporation, asks for a certificate of public convenience and necessity to construct, maintain and operate a public utility water system in the Brown's Valley and Redwood Road areas adjoining the City of Napa, the establishment of rates for the service to be rendered and for authority to issue stock.

A public hearing in this proceeding was held before Examiner Emerson at Brown's Valley Farm Center, Napa County, on July 26, 1951. At this hearing applicant further amended its application by requesting authority to execute a chattel mortgage as security for the issuance of \$50,000 in notes.

The proposed service area begins at the westerly boundary of the City of Napa, extends approximately 3 miles westerly therefrom into the Dry Creek, Redwood Road, and Brown's Valley areas and comprises about 1,600 acres subdivided into 1 to 50-acre farms

and suburban homesites. Said service area is delineated on the map filed as Exhibit "A" attached to the original application.

Applicant corporation was formed by residents in the area in order to obtain an assured supply of water. Several years prior to the formation of the corporation, a water district was contemplated for the area but in an election in 1949 such proposition was defeated. Thereafter a number of public meetings were held in the Farm Center and certain leaders in the area obtained pledges of financial support from the residents for the purpose of obtaining a public utility water supply. Initial pledges from 13 persons totaled \$11,350 which sum was later increased to \$26,000 by pledges from additional residents. With such assurance of initial support, five local persons incorporated the Hacienda Water Company on February 23, 1951.

The proposed service area is but a part of a large area west of the City of Napa on the easterly slope of the Mayacamas Mountains, which is deficient in natural water supply. During a three- or four-month summer period each year many families, who derive water from individual shallow wells, find their wells dry and therefore resort to the hauling of water. During other periods of the year few people have sufficient water for all of their domestic or farm needs and must constantly conserve the meager supply available to them. The City of Napa has an assured and adequate supply of water from its Conn Valley reservoir where some 30,500-acre feet of water are stored. A 36-inch transmission line from the reservoir passes applicant's proposed service area. From such line applicant will obtain its supply, under the terms of a 25-year contract with the city, to a maximum of ten million gallons in any one month and at a rate not to exceed 750 gallons per minute.

Mr. Charles E. Martin, City Manager of the City of Napa, testified at the hearing that the city was anxious to assist the persons in applicant's area in obtaining water and that the city's commitment was firm.

Physical connection with the city's main will be made near the intersection of Redwood Road and State Highway No. 29 from which water will be distributed through approximately 27,350 feet of mains varying in size from 10 inches to 4 inches in diameter. Storage will be provided by a redwood-stave tank located on a hill about 11,000 feet west of the connection to the city's main. Water level in the tank will be maintained at an elevation of 275 feet by means of an altitude valve installed at the tank. Gravity flow from the tank will adequately serve nearly all prospective customers. Those few customers whose premises are located at higher elevations will install their own booster pumps in order to obtain water at the desired elevation. During the first 12 months' operations, applicant expects to serve 170 customers. The system has been designed to serve 500 customers.

Applicant has proposed the following rates:

General Metered Service

Service Charge

Monthly service charge payable annually in advance:

<u>Meter Size</u>	<u>Monthly Service Charge</u>
5/8"	\$2.00
1"	4.50
1 1/2"	6.00
2"	9.00

Quantity Charge

For water delivered, based on monthly meter readings:

	<u>Per Meter Per Month</u>
First 3,000 gallons, per 1,000 gallons	\$0.70
All over 3,000 gallons per 1,000 gallons	.40

Estimates of system costs, revenues and expenses, together with supporting testimony, were presented in evidence by applicant's consulting engineer and by the Commission staff. These are summarized as follows:

Estimated 12 Months' Operation, 1951-1952

Ac. : No. :	Item or Account	Amount	
		Applicant	Staff
	<u>Fixed Capital</u>		
C- 1	Organization	\$ 1,500	\$ 1,130
C- 5	Land and Rights of Way	2,000	1,500
C- 6	Buildings	2,500	2,200
C-18	Distribution Mains	91,728	93,907
C-19	Tanks and Reservoirs	2,800	2,200
C-21	Services	8,900	8,718
C-22	Meters	5,700	6,132
C-23A	Tools and Work Equipment	500	200
C-23D	Transportation Equipment	2,500	-
C-24A	General Office Equipment	800	1,200
C-24B	General Shop Equipment	-	500
C-24C	Storeroom Equipment	300	-
C-24D	General Garage Equipment	-	2,500
C-25A	Engineering and Superintendence	3,000	-
C-26	Interest during Construction	<u>2,000</u>	<u>2,400</u>
	Total Fixed Capital	124,228	122,587
	Operating Revenues	10,943	10,150
	Operating Expenses	7,763	8,880
	Estimated Net Revenue	3,180	1,270

From the foregoing tabulation it is apparent that applicant will experience a small return on its expected investment during the initial stages of its development and operations. The rates proposed by applicant were not objected to at the hearing, appear to be reasonable and will be authorized with the addition of a standard meter size omitted by applicant.

The Board of Supervisors of Napa County, on June 12, 1951, granted applicant a pipe-line right of way for use of the county roads in applicant's proposed service area. Applicant has stated that no franchise or permit other than said pipe-line right of way is required for construction or operation of the system.

It is estimated that the proposed system can be made operative within 90 days of the start of construction. Applicant has indicated that it must raise approximately \$70,000 before actual construction work may be undertaken. Its investment in utility property will be financed through the issue and sale of 3,000 shares of its \$25 par value common stock of an aggregate par value of \$75,000 and through the issue of \$50,000 of notes. The notes which applicant proposes to issue will mature annually in units of \$10,000 from four years to eight years from date of issue and will bear interest at the rate of 4½% per annum. The notes thus to be issued are to be secured by a chattel mortgage on applicant's properties. A copy of the note and a copy of the chattel mortgage which applicant proposes to issue is on file in this proceeding.

The record in this proceeding indicates that applicant will have need for the funds to be provided through the issue of the common stock and the notes and the order herein will so provide. In granting this authority the Commission will require applicant to issue and sell not less than \$60,000 par value of its common stock before it issues any of the notes herein authorized.

No person came forward at the hearing to express any objection to the granting of a certificate to applicant. To the contrary, of the 44 prospective customers in attendance at the hearing, three testified that there was great need for applicant's system and urged that applicant's request be granted.

In view of the record in this proceeding, it appears that public convenience and necessity require and will require that

applicant be granted a certificate for the area requested. The certificate of public convenience and necessity herein issued is 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 FOUND AS A FACT that public convenience and necessity require and will require the construction and operation of a public utility water system by Hacienda Water Company in Napa County within the territory delineated on the map marked Exhibit "A" attached to the application; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted Hacienda Water Company to construct and operate a public utility water system for the distribution and sale of water within the territory hereinabove described.

IT IS HEREBY FURTHER ORDERED as follows:

1. For the purpose of financing construction of the public utility water system proposed in this application, applicant, after the date hereof and on or before June 30, 1952, may issue and sell, at not less than par, not exceeding \$75,000 par value of its common stock, \$25 par value, and, on or after the date on which not less than \$60,000 par value of said common stock is sold, may issue notes in the aggregate amount of \$50,000 payable as indicated in its second amendment to its application,

EXHIBIT A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

Throughout the entire territory served by Hacienda Water Company, as delineated on the map included in the tariff sheets.

RATES

Quantity Charge:	Per Meter Per Month
First 3,000 gallons or less, per 1,000 gallons	\$0.70
Over 3,000 gallons, per 1,000 gallons40

Service Charge:	Monthly Service Charge
For 5/8 x 3/4-inch meter	\$2.00
For 3/4-inch meter	3.00
For 1-inch meter	4.50
For 1 1/2-inch meter	6.00
For 2-inch meter	9.00

The Service Charge is a readiness-to-serve charge to apply to all metered service and is added to the monthly charge computed at the Quantity Rates.

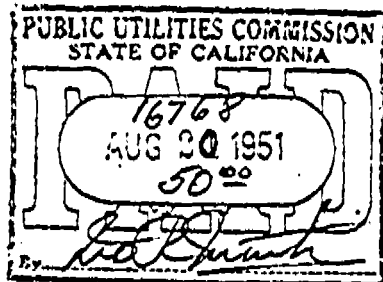
SPECIAL CONDITIONS

1. Service charges are payable annually in advance.

and may execute a mortgage of chattels in or substantially in the same form as that filed in this proceeding for the purpose of securing payment of said notes, it being the opinion of the Commission that the money, property or labor to be procured or paid for through the issue of the capital stock and notes herein authorized is reasonably required by applicant for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

2. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.
3. Applicant shall file in quadruplicate with the Commission, the rates set forth in Exhibit A attached to this order, to be effective on October 1, 1951, together with rules and regulations and tariff service area map acceptable to the Commission and in accordance with the requirements of General Order No. 96.
4. Applicant shall file, within thirty (30) days after the system is placed in operation, four (4) copies of a comprehensive map, drawn to an indicated scale of approximately 400 feet to the inch, delineating thereon by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.
5. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is fifty (\$50) dollars.

Dated at San Francisco, California, this 14th day
of August, 1951.



R. E. Dwyer
Justice J. C. Green
Harold P. Hule
Conrad W. Potter

Commissioners.