

ORIGINAL

Decision No. 50153

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SUISUN VALLEY WATER COMPANY, a corporation, to acquire and operate a water system, for order approving rates, and for authority to issue stock in exchange for cash and the said water system.)))))))	Application No. 35261
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William H. Herbert, for applicant.
W. B. Stradley, for the Commission staff.

O P I N I O N

Applicant Suisun Valley Water Company, a corporation, filed its application on March 19, 1954, for a certificate of public convenience and necessity to acquire and operate a public utility water system in a subdivision known as Willotta Oaks located in Solano County approximately 3½ miles southwest of the City of Fairfield.

A public hearing in this proceeding was held before Examiner W. E. Cline at Fairfield on April 22, 1954. At the hearing applicant was granted permission to file an amendment to the application in which applicant requested authority to establish flat rates as well as meter rates and in which applicant also requested a certificate of public convenience and necessity to exercise the rights, privileges and franchise granted applicant pursuant to Ordinance No. 368 of the Board of Supervisors of the County of Solano. Said amendment was filed April 24, 1954, at which time the matter was taken under submission.

Description of System

The proposed service area is shown on the map attached to the application on file herein. It comprises a tract of land owned

by Willotta Oaks, Inc., consisting of about 17.93 acres, which has been subdivided into approximately 36 lots.

The sources of water for the system are two wells which are designated on the map as Well No. 1 and Well No. 2. Well No. 1 is 192 feet deep, is equipped with a 5-hp electric motor and jet pump, and discharges into a 1,000-gallon pressure tank. This well produces 100 gallons of water per minute. Well No. 2 which is 190 feet deep and is equipped with a 10-hp electric motor directly connected to a deep-well turbine pump produces 165 gallons of water per minute and discharges into a 2,000-gallon pressure tank set to maintain a system pressure of 40 to 60 pounds per square inch.

The distribution system will consist of 800 feet of 6-inch and 1,600 feet of 4-inch dipped and wrapped 12-gauge, welded steel pipe. The service connections from the distribution mains will be 1½-inch galvanized pipe and each will serve two lots. Applicant proposes to install a 2½-inch wharf type hydrant at each end of the system and one in the middle of the system to be used for flushing the system and also for use by the Green Valley Fire District in refilling their equipment.

When the subdivision is fully developed the system will be required to serve approximately 30 residences. The record shows that the system as proposed will be adequate to serve the area to be certificated.

Willotta Oaks, Inc., is to install the water system and then transfer it to applicant at cost, which is estimated to be \$13,980 including an allowance of \$100 for the land on which the wells are situated.

Neither of the wells is located within 50 feet of any sewer line. Although the water has not yet been tested for purity by the Solana County Health Department, witness Pierce, president

of applicant, testified that the water in the area is of sufficient quality and purity for domestic use. The requirements of the health department will be met by applicant.

The only other source of water available to the subdivision is that of the City of Vallejo. In order to obtain water from this source $\frac{1}{2}$ mile of pipe would have to be laid at an estimated expense of \$8,000 to connect with the City of Vallejo mains at Rockwell. Chlorinated but unfiltered water would then be furnished through a master meter at Rockwell for a standby charge of \$70 per month plus 42 cents per 100 cubic feet of water furnished at the meter. Applicant proposes to furnish water to the subdivision on a much more economical basis.

Issuance of Stock

Applicant proposes to sell and issue to Willotta Oaks, Inc., 1,398 shares of \$10 par value common stock in exchange for the transfer of the water system to be installed by Willotta Oaks, Inc., at an estimated cost of \$13,980. Applicant also proposes to sell and issue 95 shares of \$10 par value common stock for \$950 cash as follows:

75 shares to Willotta Oaks, Inc.,
10 shares to Lewis Pierce III,
10 shares to Marian R. Pierce, his wife.

Witness Pierce testified that should additional funds be required for working capital such funds will be supplied to applicant either by Willotta Oaks, Inc., or by Mr. Pierce himself.

Mr. Pierce owns one half of the common stock of Willotta Oaks, Inc. Exhibit No. 3 shows that Mr. Pierce has sufficient financial responsibility to insure the development of the system as proposed.

Franchise

Applicant has obtained a perpetual franchise from the Board of Supervisors of the County of Solano to operate a water

system within the proposed certificated area. No fee is payable during the first five years but thereafter an annual fee of 2 per cent of the gross annual receipts arising from the use, operation and possession of said franchise is payable to the County of Solano.

Rates

Applicant proposes to serve water on a measured basis at monthly minimum charges ranging from \$3 for 5/8 x 3/4-inch service to \$40 for 4-inch service and at quantity rates reduced through four blocks from \$3 for the first 800 cubic feet or less to 15 cents per 100 cubic feet for all water in excess of 5,000 cubic feet. Applicant also proposes to offer service on a flat rate basis at monthly charges ranging from \$4 for a 3/4-inch service connection to \$14 for a 2-inch service connection.

Applicant estimates that the proposed rates will produce annual income of approximately \$3,000 upon development of the subdivision and that its annual expenses together with a 7 per cent return on its investment will amount to about \$3,200. However, as applicant has no actual operating experience on which to base these estimates, they are highly speculative.

The proposed rates as set forth in Appendix A hereto are hereby found to be reasonable and will be authorized.

Conclusion

The Commission has considered the request of applicant for a certificate of public convenience and necessity to acquire and operate a public utility water system and is of the opinion that it should be granted.

The Commission is also of the opinion and hereby finds that public convenience and necessity require it to grant applicant a certificate of public convenience and necessity to exercise the rights and privileges granted by the County of Solano Ordinance No. 368 adopted April 5, 1954.

Such certificates are subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchise or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.

The issuance of the shares of stock should be authorized as requested provided that the cash received in exchange for stock shall be used for organization expense and working capital and not for purposes properly chargeable to operating expenses or to income.

With the foregoing limitation upon the use of said cash, the Commission hereby finds that the money, property, and labor to be procured or paid for through the issuance of the common stock herein authorized are reasonably required by applicant for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The action taken herein shall not be construed to be a finding of the value of the property to be received in consideration of the issuance of the common stock herein authorized to be issued.

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 will require the acquisition and operation of a public utility water system within the territory described in the

application on file herein and shown on the map attached thereto, being the unincorporated area known as Willotta Oaks Subdivision located approximately $3\frac{1}{2}$ miles southwest of the City of Fairfield in Solana County.

1. IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Suisun Valley Water Company, a corporation, applicant herein, to acquire and operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.

2. IT IS FURTHER ORDERED that a certificate of public convenience and necessity be and it is hereby granted to said Suisun Valley Water Company to exercise the rights and privileges granted to it by the County of Solano under Ordinance No. 368 adopted April 5, 1954.

3. IT IS HEREBY FURTHER ORDERED as follows:

- a. Applicant is authorized to file 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 pursuant to the certificate of public convenience and necessity herein granted, together with rules and regulations, and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.
- b. Applicant shall notify this Commission in writing of the completion of the system for which this certificate is granted, within thirty days thereafter.
- c. Applicant shall file with this Commission, within forty days after the effective date of this order, four copies of a comprehensive map drawn to an indicated scale not smaller than 100 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various properties of applicant.
- d. Within sixty days after the date when the system has been acquired and placed in operation under the rates and rules and:

regulations authorized herein, applicant shall file with this Commission a copy of each and every journal or other entry used to record the original, installed cost of the major items of property acquired or constructed as parts of the system devoted to rendering service to the public. All important acquisitions or installations made within a period of one year from the effective date hereof shall likewise be reported within sixty days after their completion.

- e. Applicant shall base the accruals to depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property. Applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

4. IT IS FURTHER ORDERED that applicant may after the effective date hereof and on or before June 30, 1955:

- a. Acquire from Willotta Oaks, Inc., the water system to be constructed by said Willotta Oaks, Inc., to serve the territory above described at historical cost not to exceed \$13,980 in consideration of the issuance of applicant's common stock having total par value in the amount of such purchase price or \$13,980, whichever is the lesser.
- b. Issue not exceeding \$13,980 par value of its common stock, or any part thereof, to Willotta Oaks, Inc., for the purposes hereinabove set forth.
- c. Issue not exceeding \$950 par value of its common stock, or any part thereof, at par for cash to the following parties and in the following amounts, said cash to be used for organization expense and working capital:

<u>Name</u>	<u>No. Shares</u>	<u>Par Value</u>
Willotta Oaks, Inc.	75	\$750
Lewis Pierce III	10	100
Marian R. Pierce	10	100

5. IT IS FURTHER ORDERED that:

- a. Within thirty days after acquiring the properties under the authority herein granted applicant shall file with the Commission a copy of each final instrument executed to convey the water system properties from Willotta Oaks, Inc., to applicant, and a statement indicating the date upon which Willotta Oaks Inc., relinquished control of said properties.
- b. On or before the date of actual transfer of the physical properties herein authorized, Willotta Oaks, Inc., should transfer and deliver to applicant, and applicant shall receive and preserve all records, memoranda and papers pertaining to the construction of the public utility properties herein authorized to be transferred.
- c. 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.

The authorization herein granted will expire if not exercised on or before June 30, 1955.

This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 18th day of June, 1954.

[Signature]
 President

[Signature]

[Signature]

 Commissioners

Commissioner Justus F. Craemer, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Willotta Oaks Subdivision, located approximately 3½ miles southwest of the City of Fairfield, Solano County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 800 cu.ft. or less	\$ 3.00
Next 2,000 cu.ft., per 100 cu.ft.30
Next 2,200 cu.ft., per 100 cu.ft.25
Over 5,000 cu.ft., per 100 cu.ft.15
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	3.50
For 1-inch meter	5.00
For 1½-inch meter	7.00
For 2-inch meter	12.00
For 3-inch meter	25.00
For 4-inch meter	40.00

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

SPECIAL CONDITION

Customers whose requirements, in the opinion of the company, may overburden its water system, may require unreasonable investment in additional facilities or may interfere with the supply to existing consumers, will not be supplied water service under this rate schedule. In such cases a special contract will be required, under such terms as the conditions warrant, subject to approval by the Public Utilities Commission of the State of California.

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Schedule No. 2

FLAT RATE SERVICEAPPLICABILITY

Applicable to all water service rendered on a flat rate basis.

TERRITORY

The unincorporated area known as Willotta Oaks Subdivision, located approximately $3\frac{1}{2}$ miles southwest of the City of Fairfield, Solano County.

RATES

	<u>Per Month</u>
For each $\frac{3}{4}$ -inch service connection	\$ 4.00
For each 1-inch service connection	6.00
For each $1\frac{1}{4}$ -inch service connection	7.00
For each $1\frac{1}{2}$ -inch service connection	8.00
For each 2-inch service connection	14.00

SPECIAL CONDITIONS

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

2. Meters may be installed at option of utility or consumer for above classifications, in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.