

ORIGINAL

Decision No. 54412

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PINAL WATER CO. for (1) a certificate)
of public convenience and necessity)
to construct and operate a water)
system for the Westwood Manor Subdi-)
vision, Shasta County, California;)
(2) to establish rates for the service)
rendered; and (3) for authority to)
issue its capital stock.)

Application No. 38326

Ira M. Shadwell, for applicant.
Robert C. Moeck, for the Commission staff.

O P I N I O N

Service Area

By this application filed August 14, 1956 a certificate of public convenience and necessity to operate a public utility water system is requested to serve an area of approximately 100 acres, located 3-1/2 miles south of Redding, California, in Shasta County. The initial installation is designed to serve approximately 129 residences on land owned by the incorporators of applicant corporation to be called Westwood Manor Subdivision. No other utilities serve water in this area.

Public Hearing

Public hearing was held before Examiner John Rowe on November 29, 1956 in Redding at which time evidence both oral and documentary was adduced and the matter submitted for decision.

Description of System

The system will receive its water from an infiltration well located in an area immediately adjacent to the subdivision. This well is equipped with a 15-horsepower electric motor connected

to a turbine pump. A 65,000-gallon steel tank, located on a hill about 100 feet higher than the subdivision, will provide elevated storage and gravity flow. At a test of the well 480 gallons per minute were produced. Should additional water be needed, a second well already constructed can be supplied with a pump and connected to the system.

The storage tank and well will be connected to the system through a 10-inch cement asbestos transmission main. The initial installation will consist of approximately 3,000 feet of 8-inch cement asbestos pipe, 6,000 feet of 6-inch cement asbestos pipe and 1,000 feet of 4-inch pipe of the same material. Ten fire hydrants will be erected in the first unit.

Necessary Financing

The application shows the estimated cost of the first unit of the proposed system to be \$74,938.00. Proof was made at the hearing that about \$3,000 more would be required to complete the system to serve the initial unit and provide sufficient cash for working capital, making a total of approximately \$78,000. It is proposed to finance the project by the sale of capital stock to the company president and his two sons. Articles of incorporation, as amended, provide for 2,000 shares of common stock with a par value of \$100 each, with an aggregate par value of \$200,000.

Proposed Rates

The application sets forth a schedule of flat rates and also a schedule of meter rates. At the hearing applicant's president stated that the company had abandoned its proposal to establish any flat rates. The meter rates proposed do not include a terminal block rate and are as follows:

General Metered Service

First	600 cubic feet or less	\$ 3.00
Next	1,000 cubic feet, per 100 cubic feet30
Next	1,400 cubic feet, per 100 cubic feet20
Next	5,000 cubic feet, per 100 cubic feet15
Minimum for	5/8-inch meter	3.00
Minimum for	1-inch meter	5.00
Minimum for	1½-inch meter	10.00
Minimum for	2-inch meter	15.00

The minimum charge will entitled the consumer to the quantity of water which that monthly minimum charge will purchase at the quantity rates.

Revenue Requirement

The estimate of the yearly gross revenue requirement for the ultimate service to 390 units of \$25,479.00 appears reasonable. The depreciation expense appears unreasonably high, however, as an over-all life of only 30 years is assigned to the plant. In view of the fact that cement-asbestos pipe is to be used, it is felt that the over-all life will be somewhat greater resulting in a lesser depreciation expense.

Summary and Conclusions

The proposed system appears to be well designed and, if so constructed, there should be no difficulty in giving adequate service. Pure water available appears to be adequate to meet the requirements of General Order No. 103. The rates which will be authorized herein and which are found justified can be expected to result in little or no return on the investment until the first unit is built up and the houses occupied.

No other public utility water system renders service in or contiguous to the proposed service area and no objections have been made to the granting of the requested certificate. Under the circumstances, it appears and we find that public convenience and

necessity require and will require that applicant be granted authority to serve the first unit known as Westwood Manor Subdivision. Before it may accept this certificate applicant shall be required to acquire legal title to the lands upon which the wells and storage tanks are located as well as to all necessary rights of way and water rights owned by the incorporators of applicant which pertain to this subdivision.

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 shall not be construed to be a finding of the value of the property to be acquired with the proceeds of the capital stock herein authorized to be issued. The following order will authorize the issuance of 780 shares of applicant's capital stock of the par value of \$1.00.

To summarize, it is found as a fact that public convenience and necessity will require the construction and operation of a public utility water system by applicant in the subdivision known as Westwood Manor Subdivision in Shasta County on U. S. Highway 99 approximately 3-1/2 miles south of Redding, and that it is the opinion of the Commission that the money, property or labor to be procured or to be paid for by the issuance of stock hereinafter authorized is reasonably required for the purpose of

acquiring the water distribution system and working capital and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

O R D E R

The above-entitled application having been considered together with the record herein, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED:

(1) That a certificate of public convenience and necessity is granted to Pinal Water Co., a California corporation, to acquire, construct and operate a public utility water system for the distribution and sale of water within Westwood Manor Subdivision, a portion of Section 24, in the P.B. Reading Grant, Shasta County, California, as described in Exhibits 4 and 5 received in evidence herein; provided, that within sixty days after the effective date hereof copies of recorded deeds to the land on which the reservoir and the wells are located and covering all necessary rights of way and water rights appurtenant to the land shall be filed with the Commission, and if any of said requirements are not so complied with the certificate of public convenience and necessity shall thereupon immediately become null and void.

(2) That applicant is 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, together with rules and a tariff service area map acceptable to the Commission and in accordance with the

requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.

(3) That applicant shall file within forty days after the system is first placed in operation, under the rates and rules authorized herein, four copies of a comprehensive map drawn to an indicated scale not smaller than 200 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 water system properties of applicant.

(4) That 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 the Commission.

(5) That applicant 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.

(6) That after the effective date hereof and on or before March 1, 1957, applicant may issue and sell, at not less than \$100 per share, 780 shares of its \$100 par value capital stock for the purpose of acquiring the water distribution system including the wells, storage reservoir, all distribution mains and facilities sufficient to supply 390 housing units.

(7) That applicant shall file with the Commission monthly reports as required by the Commission's General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

(8) That except as herein specifically granted Application No. 38326 is denied.

The authorization herein granted will expire if not exercised within one year from the date hereof except as otherwise herein provided.

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

Dated at San Francisco, California, this 22nd day of January, 1957.

President

Paul H. Greener
Matthew D. Doherty
P. H. Kautz

Commissioners

Peter E. Mitchell
Commissioner C. Lynn Fox being
necessarily absent. did not participate
in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Westwood Manor Subdivision located approximately 3-1/2 miles south of the City of Redding, Shasta County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 600 cu.ft. or less	\$ 3.00
Next 1,000 cu.ft., per 100 cu.ft.30
Next 1,400 cu.ft., per 100 cu.ft.20
Over 3,000 cu.ft., per 100 cu.ft.15
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	3.75
For 1-inch meter	5.00
For 1-1/2-inch meter	10.00
For 2-inch meter	15.00

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