

Decision No. 57920**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 HOWARD S. PULLIAM and WILMA D. PULLIAM,  
 doing business as VISTA GRANDE WATER  
 SYSTEM, for a Certificate of Public  
 Necessity and Convenience and for a  
 Permit to Construct a Water District  
 System.

Application No. 40586

Edmund M. Moor, for applicants.  
W. B. Stradley, for the Commission staff.

O P I N I O N

By the above-entitled application filed November 10, 1958, Howard S. Pulliam and Wilma D. Pulliam, doing business as Vista Grande Water System, request a certificate of public convenience and necessity to construct and operate a public utility water system to serve an unincorporated area known as Vista Grande Subdivision located approximately two miles northeast of the City of Red Bluff in Tehama County.

Public Hearing

A public hearing on the application was held before Examiner E. Ronald Foster at Red Bluff on December 11, 1958, prior to which time notices of hearing thereon were published and posted as required by this Commission. No person appeared to oppose granting of applicants' request. After evidence both oral and documentary had been presented, the matter was submitted and is now ready for decision.

Service Area

The proposed service area is shown on a map of Vista Grande Subdivision, containing 72 lots, attached to the application as part of Exhibit "A". The area consists of about 18 acres bounded on the west, south and east by Kaer, Walnut and Chestnut Avenues, respectively, and on the north by unsubdivided farm land. A portion of the property at the southeast corner of the tract has been reserved for public water utility purposes. Applicants plan to construct single family residences on all the other lots of the subdivision except about seven upon which duplex dwellings will be built. Some houses are already completed and others are in the process of construction.

Description of System

Applicants have put into operation a well drilled to a depth of 161 feet, equipped with a 15-horsepower deep-well turbine pump capable of producing approximately 200 gallons of water per minute against system pressure. The pump delivers the water into a 5,000-gallon hydropneumatic tank located at the well site, with controls to be set to maintain a minimum pressure of 40 pounds per square inch at the customers' services.

The distribution system serving the tract, now partially installed, will consist of about 2,600 feet of 6-inch and 1,900 feet of 4-inch asbestos-cement pipe laid partly in easements but primarily in streets bordering or within the tract and arranged to provide for complete circulation except for three dead-ends, the longest of which is less than 400 feet.

Each of the 80 residential units will be furnished water service through a 3/4-inch connection and a 5/8 x 3/4-inch meter. There will be five wharf-type fire hydrants serviced by the system.

The estimated cost of construction of the water system for the entire subdivision, as shown in the application and as amended by Exhibit No. 1 filed herein, is as follows:

Organization costs	\$ 450
Pumping plant site, 117 ft. x 91.5 ft.	2,500
Office, warehouse and shop 24 ft. x 40 ft.	4,800
Fence	550
Well, 161 feet deep	1,000
Pump, Pump house and pressure tank	5,550
Six-inch asbestos-cement pipe, 2600 ft.	8,598
Four-inch asbestos-cement pipe, 1940 ft.	6,342
Couplings, valves and fittings	750
House connections, average 26 ft.	2,730
Water meters	3,744
Fire hydrants	625
Engineering	<u>1,000</u>
Total	\$38,639

#### Financing

Applicants represent that they have ample financial resources with which to pay the costs of the proposed construction as each item thereof is completed. Exhibit "D" of the application consists of a consolidated balance sheet as of June 30, 1958, of applicants individually and three corporations in which they are the sole or chief stockholders. Their combined assets total \$742,321, of which amount current assets are listed at \$439,928 and against which are shown current liabilities of \$291,923, leaving net current assets of \$148,005. Non-current assets amount to \$302,393 which are partially offset by non-current liabilities of \$96,424, or a difference of \$205,969. Therefore the aggregate net worth of the applicants and their three corporations as of the date indicated was as follows:

Howard and Wilma Pulliam	\$190,085
Pulliam Homes, Inc.	76,393
Pulliam Investment Co., Inc.	26,584
Pulliam-McLearn, Inc.	<u>60,912</u>
Total net worth	\$353,974

Proposed Rates and Potential Revenue

Applicants intend to meter all services and propose the following rates as shown in Exhibit "E" of the application and as amended at the hearing by Exhibit No. 3:

	<u>Per Meter Per Month</u>	
	<u>Exh. "E"</u>	<u>Exh. No. 3</u>
Quantity Rates:		
First 500 cu.ft. or less		\$ 3.50
First 1,000 cu.ft. or less	\$ 3.50	
Next 1,000 cu.ft., per 100 cu.ft.	.18	.30
Next 1,500 cu.ft., per 100 cu.ft.		.20
Over 2,000 cu.ft., per 100 cu.ft.	.10	
Over 3,000 cu.ft., per 100 cu.ft.		.10
Minimum Charge:		
For 5/8 x 3/4-inch meter	3.50	3.50
For 3/4-inch meter	3.50	4.00
For 1-inch meter	5.00	5.00
For 1 1/2-inch meter	7.50	7.50
For 2-inch meter	10.00	10.00

Applicants have not proposed any rate for service to the fire hydrants which will be installed as part of the distribution system. It does not appear feasible to make any charges for such service, there being no fire protection agency organized to serve the unincorporated area which includes the subdivision, other than the State Division of Forestry which operates tank trucks in cooperation with Tehama County.

On the basis of an average monthly consumption of 2,400 cubic feet per service as estimated by applicants, at the amended rates the average revenue per service would be \$8.30 per month or an annual gross revenue of \$7,968 from all 80 services when fully developed.

In the meantime, applicants are aware of the probability that little or no return on the total investment can be expected until full development of the subdivision is accomplished which they estimate will require about two years.

An analysis of applicants' proposed rate schedule, as amended, reveals a wide spread in the cost of water from 70 cents per 100 cubic feet in the initial block to 10 cents per 100 cubic feet in the last block. The order herein will authorize a somewhat revised schedule of rates which is considered more realistic and is generally comparable to those in effect for other water utilities of this character operating under similar conditions. At such rates the charge will be \$8.20 for a monthly usage of 2,400 cubic feet of water, with a terminal block rate of 15 cents per 100 cubic feet. The minimum charges for meter sizes larger than 5/8 x 3/4-inch are modified to amounts substantially higher than those proposed to reflect the comparatively higher costs of providing such services.

Miscellaneous Items

Applicants' witness testified that an office with telephone service will be maintained within the certificated area for the purpose of receiving customer inquiries and personal payment of water bills.

The fictitious name of Vista Grande Water System, under which applicants will do business, has been filed with the County Clerk of Tehama County. The County of Tehama requires no franchise or permit to operate a water distribution system, according to applicants' testimony. A water supply permit was issued on August 26, 1958, by the State Board of Public Health.

The only other public utility water system operating in the immediate vicinity is that of Lassen View Water Company, Inc., the nearest facilities of which are located nearly one-half mile away.

The City of Red Bluff supplies water to a small area, about a quarter mile south of applicants' subdivision, which area is outside of the city but adjacent to its water supply pipeline.

Findings and Conclusions

Applicants' proposed system appears well designed to meet the requirements of the Commission's General Order No. 103 and, when so completed, there should be no difficulty in rendering adequate service. It appears that applicants are financially capable of carrying out their proposed construction of the water system.

In order that the property on which the well and related facilities are located be dedicated to public water utility operations, as well as easements for pipelines which will not be located in public streets, applicants will be required to file with the Commission documentary evidence to that effect.

The Commission finds that public convenience and necessity require that the requested certificate be granted and that the rates shown in Appendix A attached hereto are fair and reasonable.

The certificate hereinafter granted 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 ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Howard S. Pulliam and Wilma D. Pulliam, doing business as Vista Grande Water System, to construct and operate a public utility system for the distribution and sale of water within Vista Grande Subdivision in Tehama County, as shown on maps in Exhibit "A" of the application.

IT IS FURTHER ORDERED that:

1. Applicants are 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 under the authority herein granted, together with rules and a tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective upon five days' notice to this Commission and to the public after filing as hereinabove provided.
2. Applicants 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.
3. Applicants shall file, within thirty days after the system is placed in operation under the rates and rules authorized herein, four copies of a comprehensive map, drawn to an indicated scale not smaller than 100 feet to the inch, delineating by appropriate markings the tract of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicants.
4. Applicants shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicants shall review the accruals as of

January 1st of the year following the date service is first rendered to the public under the rates and rules authorized herein and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

5. If the authorization herein granted is exercised, applicants shall dedicate to public utility purposes the lot or area on which the well and related water facilities are located and any easements or permits where water mains will be located, otherwise than in public streets, including the right of way for the transmission line from the well into the subdivision, and shall file with the Commission, within thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such dedication, easement or permit.

The authorization herein granted will expire if not exercised within one year after the date hereof.

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

Dated at Los Angeles, California, this 27<sup>th</sup> day of January, 1959.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners



APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Vista Grande Subdivision and vicinity, located approximately two miles northeast of the City of Red Bluff, Tehama County.

RATES

Quantity Rates	<u>Per Meter Per Month</u>
First 700 cu.ft. or less .....	\$ 3.50
Next 1,300 cu.ft., per 100 cu.ft. ....	.30
Next 3,000 cu.ft., per 100 cu.ft. ....	.20
Over 5,000 cu.ft., per 100 cu.ft. ....	.15
 Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 3.50
For 3/4-inch meter .....	4.50
For 1-inch meter .....	7.00
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.