

ORIGINAL

Decision No. 58503

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of HAPPY ACRES WATER)
 COMPANY, INC., a California cor-)
 poration, for a certificate of)
 public convenience and necessity)
 to operate a water company in)
 Happy Acres subdivision, Sonoma)
 County; to establish rates; and)
 for a permit to issue stock.)

Application No. 39730
 (Amended)

DeMeo & DeMeo, by Charles M Giovanetti,
 for applicant.
Sidney J. Webb and W. B. Stradley, for
 the Commission staff.

O P I N I O N

Happy Acres Water Company, a corporation, by its application filed October 15, 1958 as an amendment to an earlier application filed January 13, 1958 by James J. Downey, one of the incorporators who owns and operates six water utilities in nearby towns, and by a further amendment filed January 13, 1959 pursuant to leave granted at the hearing held at Santa Rosa on December 10, 1958 before Examiner John M. Gregory, seeks an operating certificate and authority to issue 10,000 shares of its \$10 par value common capital stock in exchange for land and the estimated cost of water service facilities constructed and to be constructed to serve Happy Acres Subdivision and adjacent residential and industrial areas about two miles north of Penngrove, Sonoma County.

The record shows that title to all land included in both units of the project is claimed by W. H. Appleton, a San Francisco businessman and land developer who, with Downey and two other incorporators, will be given stock in exchange for the land and

physical assets of the water system, the estimated costs of which are as follows (from 2nd Amendment and Exhibit 2):

INITIAL UNIT - "LOW SYSTEM"

Organization expense	\$ 1,000.00
Pumphouse buildings	1,000.00
Wells	4,000.00
Pumping equipment	5,000.00
Purification equipment	1,200.00
Transmission mains	11,500.00
Distribution mains	15,000.00
Reservoir (30,000 gal.)	3,000.00
Services (100)	1,500.00
Meters (100)	<u>2,500.00</u>
Total	\$45,700.00

SECOND UNIT - "HIGH SYSTEM"

8,000' 6" AC pipe	\$24,000.00
2,700' 4" AC pipe	6,750.00
50,000 gal. redwood tank	3,000.00
Valves and fittings	700.00
Pumphouse	1,200.00
2 - 10 hp centrifugal pumps, complete with fittings and valves	1,600.00
Electrical switches and automatic controls	950.00
200 services, including meters and fittings	<u>8,000.00</u>
Total	\$46,200.00

Total outlay for a well, transmission main and other items required for service to the 95-parcel subdivision amounted to about \$19,000 as of the date of the hearing. Construction of water facilities is progressing, with the developers advancing necessary funds, some of which have been made available from assessments against the parcels which have been purchased by about 45 individuals and which can be further divided into parcels of one-half acre each. It is proposed that the cost of additional extensions which may be added for the smaller plots will be obtained through customers' advances subject to refund under the utility's main extension rule. The well, completed in 1956 after a previous drilling attempt had resulted in a dry hole, has been test-pumped to produce from 400 to 510 gpm of good water. Initially, storage and distribution is

expected to be accomplished from a 10,000-gallon sump tank at the well site and later from a 30,000-gallon reservoir to be located on higher ground north of the subdivision and across the Petaluma-Bloomfield County Highway which bisects the low and high systems.

Although the record indicates that industrial development is projected for the area northwest of the subdivision, bounded by Meham County Road and the Petaluma-Bloomfield Highway (Stony Point Road), and residential development on "estate-size" parcels in the high system north of the subdivision, there appear to be no present plans for such developments, other than an intention to apply for a record of survey subdivision during 1959 in the high system area and the addition of perhaps 100 new services there in about two years.

In order to finance the entire development applicant proposes to issue to Appleton, Downey and the two other incorporators 9,190 shares of its \$10 par value common capital stock for the items shown above, and 810 shares of its common stock to Appleton in exchange for the one-acre well site and two one-half acre reservoir sites. No stock for promotional services will be issued.

As stated, a 30,000-gallon reservoir to serve the 95-parcel subdivision will be constructed on one site. The other site, on higher ground to the north in the high system, will be used, if conditions warrant, for a 50,000-gallon reservoir to serve the estate parcels in that area and to increase storage capacity for the entire ultimate system. In order to finance the construction of the high system, the plan is for Appleton to advance the necessary funds and, as parcels are sold, to withhold and escrow sums at the rate of \$500 per acre from the selling price to pay construction costs.

We conclude from the evidence that there is need for a water system to serve Happy Acres Subdivision and adjacent industrial

and other areas south of the Petaluma-Bloomfield County Highway and west to Meham County Road, as shown on the map, Exhibit 1 in evidence and described as Parcels Two, Three and Four in Exhibit "A" of the original application herein filed by James J. Downey.

Necessity for construction of facilities to serve the 154.4-acre parcel north of the Petaluma-Bloomfield Highway, sometimes called the "high system", has not been established on this record in our opinion. Should the need for service to that area develop in the future, applicant may file an appropriate application for authority to construct the required facilities.

The request to issue stock will be granted to the extent deemed appropriate to cover the items required for the system herein authorized. Applicant may later apply to the Commission for authority to issue such additional shares of stock as may be warranted by future developments.

Applicant has proposed initial rates for metered water service commencing with a minimum monthly charge of \$3.00 for 400 cubic feet of water or less and extending through three blocks of decreasing rates for additional quantities. We find such rates reasonable for initial service to be rendered by applicant within the territory herein certificated.

We find that public convenience and necessity require the construction and operation of a public utility water system by Happy Acres Water Company, a corporation, within the area described above.

The certificate of public convenience and necessity issued herein 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

Public hearing having been held, the application, as amended, and evidence in support thereof having been considered, the Commission now being fully advised and basing its order upon the findings and conclusions contained in the foregoing opinion,

IT IS ORDERED that:

1. A certificate of public convenience and necessity be and it hereby is granted to Happy Acres Water Company, Inc., a corporation, to construct, acquire and operate a public utility system for the sale and distribution of water to and within the territory described in the foregoing opinion, to wit: "Happy Acres" Record of Survey, as recorded in Book 74 of Maps at pages 15 and 16, Sonoma County Records and all territory described as Parcels Two, Three and Four in Exhibit "A" attached to the original application of James J. Downey filed herein on January 13, 1958; provided, however, that applicant shall not extend its service beyond the area herein certificated without prior authorization by the Commission.
2. 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 under the authority granted herein together with rules and 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 the Commission and to the public after filing as hereinabove provided.
3. Applicant shall notify this Commission, in writing, of the date service is first furnished to the public under the rates and rules authorized herein, within ten days thereafter.

4. Applicant shall file, within forty 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 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served for which this certificate is issued; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.
5. (a) Applicant, after the effective date hereof and on or before December 31, 1959, may issue not exceeding 5,380 shares of its capital stock for the purposes set forth in this application, the Commission being of the opinion that the money, property, or labor to be procured or paid for by the issuance of said stock is reasonably required by applicant for the purposes herein stated, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

(b) Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.
6. The authorization herein granted will expire if not exercised within one year from the date hereof.

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

Dated at San Francisco, California, this 22nd day of May, 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 Happy Acres Subdivision, and vicinity, located at the intersection of Mecham and Stony Point Roads, approximately five miles north of Petaluma, Sonoma County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 400 cu.ft. or less	\$ 3.00
Next 600 cu.ft., per 100 cu.ft.40
Next 5,000 cu.ft., per 100 cu.ft.30
Over 6,000 cu.ft., per 100 cu.ft.20
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.00
For 1-inch meter	5.75
For 1-1/2-inch meter	9.50
For 2-inch meter	13.50
For 3-inch meter	24.00
For 4-inch meter	35.00

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