

ORIGINAL

Decision No. 58552

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
JAMES A. ARNOTT, dba. PLEASANT VALLEY  
WATER COMPANY, for a Certificate of  
Public Convenience and necessity to  
authorize the operation of a public  
utility water system, and to establish  
rates for service rendered within a  
subdivided area located within the  
City of San Jose, County of Santa  
Clara, California.

Application No. 40899

Albert J. Ruffo, for applicant.  
San Jose Water Works, by Robert Minge Brown,  
protestant.  
W. B. Stradley, for the Commission staff.

O P I N I O N

This matter was filed March 4, 1959, and a public hearing thereon was held before Examiner F. Everett Emerson on May 1, 1959, at San Jose on which latter date evidence was adduced and the matter submitted. It is now ready for decision.

Applicant, James A. Arnott, is an individual who for many years has been a developer of real estate properties and a builder of homes in the San Francisco Bay area. He seeks a certificate of public convenience and necessity to construct and operate a public utility water system for an area known as Pleasant Valley, within the City of San Jose, lying southwest of the intersection of Downer Avenue and Cottle Road. The subdivided area will comprise about 238 acres within which approximately 842 water services will serve individual residences, apartment houses, duplex units, a motel and a 50-acre shopping center. The area is more than three miles from the

nearest public utility water system.

Applicant intends to develop the Pleasant Valley Subdivision in four units over a period not exceeding four years. The over-all water system to be installed will obtain its water from three wells within the area and will include elevated storage to be located on a hillside about 6900 feet distant from the distribution system. The first unit, to be developed within the initial 12-month period following certification, will provide water service to about 200 residential lots in the northwest 40 acres of the overall area. It is estimated to cost approximately \$82,000 for which applicant testified he had cash available. Succeeding units, in approximately equal parts, would follow each year through 1962, the third unit including the elevated storage tank and its connecting transmission main. The completed water system is estimated to cost approximately \$400,000.

Applicant proposes to provide metered water service at the following basic rates:

<u>Monthly Quantity Rates</u>		<u>Per Meter</u> <u>Per Month</u>
First	500 cubic feet or less	\$2.50*
Next	2,500 cubic feet, per 100 cubic feet	0.36
Next	27,000 cubic feet, per 100 cubic feet	0.25
Over	30,000 cubic feet, per 100 cubic feet	0.22

\*The first 500 cubic feet would be included in the monthly minimum charge which would depend upon meter size; the 5/8 x 3/4-inch meter being \$2.50, with larger sizes having a graduated scale of charges up to and including \$75.00 for a 6-inch meter.

Applicant also proposes a schedule of rates for public fire-hydrant service and a schedule of rates for a private fire-protection service.

It is estimated that applicant's proposed rates will generate \$76,500 in annual revenues and that annual operating expenses, including provisions for taxes and depreciation, will total \$53,700.

Such estimates, of course, assume a completed water system and normal water consumption by all users in the overall subdivision area. On such basis, the water utility operations would earn a rate of return of about six per cent.

Applicant testified that the water system would be managed and operated, under his direction, by a person long experienced in the water utility business and in fact by the man who had designed the physical system.

The protestant in this proceeding apparently objects to applicant's being authorized to install and operate the proposed water system on the general grounds that certification would not be in the public interest because applicant has not previously been engaged in water utility operations and because protestant doubts the financial resources of the applicant. The evidence clearly shows that applicant's proposed system is on the order of three miles, by road, from the nearest portion of the area in which protestant holds itself out to serve the public. Protestant itself could not serve the area without first obtaining a certificate of public convenience and necessity. This it has not sought to do.

In view of the evidence, the Commission is satisfied that applicant's proposed water system will be adequate and that the system will be adequately financed and operated by him or under his direction. Further, the Commission finds as a fact that public convenience and necessity require and will require that the herein proposed public utility water system be constructed, maintained and operated and that the certificate sought should be issued. The Commission also finds that the rates which applicant proposes to charge are fair and reasonable rates for the services to be rendered. Accordingly, applicant will be authorized to file the same.

Applicant will be required to file appropriate rules governing relations with customers and the general public and is placed on notice that such rules are binding upon him, his customers and the public with equal force.

The certificate hereinafter granted is subject to the 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

Based upon the evidence and the findings contained in the foregoing opinion,

IT IS ORDERED that a certificate of public convenience and necessity be and it is hereby granted James A. Arnott (Pleasant Valley Water Company) to construct, operate and maintain a public utility water system for the production, storage, transmission, distribution and sale of water within the area known as Pleasant Valley Subdivision in the City of San Jose as delineated on Exhibit No. 3 in this proceeding.

IT IS FURTHER ORDERED as follows:

1. Applicant is authorized to file, on or 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 service area map acceptable to this Commission and in accordance with the provisions of General Order No. 96. Such rates, rules and map shall become effective on five days' notice to the public and to this Commission

after filing as hereinabove provided.

2. 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.

3. Applicant, within sixty days after the system is first placed in operation under the rates and rules authorized herein, shall file with this Commission four copies of a comprehensive map, drawn to a 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, transmission and distribution facilities; and the location of the various water system properties of applicant.

4. Applicant shall base accruals to depreciation upon spreading the original cost of depreciable plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, applicant shall review the accruals as of January first of the year following the date service is first rendered the public and thereafter when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of such reviews shall be submitted to the Commission.

5. The certificate and the authorization hereinabove granted will expire if not exercised within one year from the effective date of this order.

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

Dated at San Francisco, California, this 8th day of June, 1959.

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

APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The subdivision known as Pleasant Valley, and vicinity, located adjacent to and southwest of the intersection of Downer Avenue and Cottle Road in the City of San Jose, Santa Clara County.

RATES

Per Meter  
Per Month

## Quantity Rates:

First	500 cu.ft. or less .....	\$ 2.50
Next	2,500 cu.ft., per 100 cu.ft. ....	.36
Next	27,000 cu.ft., per 100 cu.ft. ....	.25
Over	30,000 cu.ft., per 100 cu.ft. ....	.22

## Minimum Charge:

For	5/8 x 3/4-inch meter .....	\$ 2.50
For	3/4-inch meter .....	3.50
For	1-inch meter .....	5.50
For	1 1/2-inch meter .....	10.50
For	2-inch meter .....	15.50
For	3-inch meter .....	27.00
For	4-inch meter .....	40.00
For	6-inch meter .....	75.00

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

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## Schedule No. 4

PRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

The subdivision known as Pleasant Valley, and vicinity, located adjacent to and southwest of the intersection of Downer Avenue and Cottle Road in the City of San Jose, Santa Clara County.

RATES

	<u>Per Month</u>
For each 2-inch diameter service connection .....	\$ 3.00
For each 4-inch diameter service connection .....	5.00
For each 6-inch diameter service connection .....	9.50
For each 8-inch diameter service connection .....	15.00
For each 10-inch diameter service connection .....	25.00

SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.

2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of applicant. Such cost shall not be subject to refund.

(Continued)

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE  
(Continued)

3. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water.
4. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
5. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.



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## Schedule No. 5

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

Applicable to all fire hydrant service furnished to duly organized or incorporated fire districts or other political subdivisions of the State.

TERRITORY

The subdivision known as Pleasant Valley, and vicinity, located adjacent to and southwest of the intersection of Downer Avenue and Cottle Road in the City of San Jose, Santa Clara County.

RATES

	<u>Per Month</u>
For each hydrant owned by the utility .....	\$3.25
For each hydrant owned by the fire protection agency .....	2.50

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.