

Decision No. 58642**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 J. Howard and Nita Phillips, a
 privately owned company, for a
 Certificate of Public Convenience
 and Necessity to Operate a Public
 Utility Water System and to Establish
 Rates for a Water Service in an
 Unincorporated Area West of Penngrove,
 California, known as Phillips Acres.

Application No. 40920

J. Howard Phillips, in propria persona,
for applicants.
W. B. Stradley, for the Commission staff.

O P I N I O N

By the above-entitled application filed March 11, 1959,
 J. Howard Phillips and Nita Phillips, his wife, request a certifi-
 cate of public convenience and necessity to construct and operate a
 public utility water system under the name of Phillips Water Service
 to serve an unincorporated area known as Phillips Acres located west
 of the community of Penngrove in Sonoma County.

Public Hearing

A public hearing on the application was held before
 Examiner E. Ronald Foster at Petaluma on April 10, 1959, prior to
 which time notices of hearing thereon were published and posted as
 required by the Commission. No person appeared to oppose the grant-
 ing of applicants' request. J. Howard Phillips testified on behalf
 of applicants in support of their application and the exhibits
 attached thereto, after which the matter was submitted and is now

ready for decision. At the hearing applicants requested that the proposed meter rate schedule be amended to correct an inadvertent error.

Service Area

The map attached to the application as Exhibit "B" shows the location of the proposed service area as being north of Hatchery Road on the west side of old U. S. Highway No. 101, also known as the Redwood Highway. The tract called Phillips Acres consists of approximately 40 acres of gently rolling land lying about 70 or 80 feet above the general level of Penngrove situated just across the highway to the east. As shown on the map attached to the application as Exhibit "A", the tract has been divided into 32 lots which applicants intend to sell as sites for single family residences. At least a portion of Lot 32, being relatively high ground in the northwest corner of the subdivision, will be used for the location of the well and pumping facilities.

Description of System

Applicants intend to drill a well to a depth of some 200 feet and equip it with a 10-horsepower deep-well turbine pumping unit capable of producing approximately 150 gallons of water per minute. The pump will deliver the water into a 3,000-gallon hydropneumatic tank to be located at the well site, with controls to be set to maintain pressures between 45 and 60 pounds per square inch.

A six-inch pipeline will transmit the water to the distribution system which will consist of about 4,100 feet of 4-inch asbestos-cement pipe to be laid entirely in the streets of the subdivision. As shown on Exhibit "A", there will be a dead-end line about 1,100 feet long and it is recommended that one of the wharf-type fire hydrants, to be installed in connection with the system, be located at the end of this line to facilitate flushing.

Instead of double service connections from the mains as shown on Exhibit "A", the witness for applicants testified that it is now planned to install individual one-inch copper services to each lot, with all service to be metered.

As revised at the hearing, the estimated installed cost of the water system for the entire subdivision, planned to be installed within the next six months, is as follows:

<u>Description</u>	<u>Amount</u>
Land for well, pump and tank	\$ 1,000
Well, 10-inch diameter, 200 ft. deep	1,400
Pumping unit, 10-horsepower	1,500
Tank, 3,000-gallon, hydropneumatic	1,000
Mains and service connections	11,650
Meters for 32 services	1,500
Miscellaneous, including fire hydrants	500
Total	<u>\$18,550</u>

Financing

The witness for applicants testified that the proposed construction will be financed with their personal funds. Their balance sheet as of January 1, 1959, included in the application, shows assets of \$153,500 consisting primarily of real estate (Phillips Acres) encumbered by a mortgage to secure payment of a \$25,000 bank loan, resulting in an indicated net worth of \$128,500.

Proposed Rates and Potential Revenue

Applicants intend to meter all services and propose the following schedule of rates as shown in Exhibit "C" of the application, as amended:

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 800 cu.ft. or less.....	\$3.20
Next 4,200 cu.ft., per 100 cu.ft.35
Next 10,000 cu.ft., per 100 cu.ft.30
Over 15,000 cu.ft., per 100 cu.ft.20
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$3.20
For 3/4-inch meter	4.00
For 1-inch meter	5.50
For 1 1/2-inch meter	10.00
For 2-inch meter	18.00
For 3-inch meter	30.00

An analysis of applicants' proposed rate schedule reveals that the minimum charges for meter sizes larger than 5/8 x 3/4-inch do not adequately reflect the relatively higher costs of providing such service. Therefore, the order herein will authorize somewhat higher minimum charges for the larger meters which are more nearly commensurate with their delivery capacities.

Applicants have not proposed any rate for service to the fire hydrants which will be installed as part of the distribution system, even though the Penngrove Fire District affords fire protection service within this unincorporated territory. In order that all water service furnished by applicants will be rendered at rates properly filed with this Commission, applicants will be authorized to file the rate schedule applicable to fire hydrant service set forth in Appendix A attached to the order herein.

Without including any revenue from fire hydrant service applicants estimate a potential annual revenue of \$1,800 from 32 residences when the tract is fully developed. At the proposed meter rates, such revenue would result from an average monthly consumption of about 1,225 cubic feet per customer. Applicants' estimated annual cost of operation of the water system is \$1,350. They are aware of the probability that little or no return on the total anticipated investment can be expected unless and until full development of the tract is accomplished.

Miscellaneous Items

The only other public utility water system operating in the immediate vicinity is that of the Penngrove Water Company which renders service in the community of Penngrove and vicinity. According to the record, that utility has a 4-inch main on the east side of the

main highway, with only a 2-inch branch therefrom extending westerly along the southerly boundary of Phillips Acres. Due to the considerable difference in elevation, the available pressure in the Penngrove system would be insufficient to render adequate service in the area which applicants propose to serve. To provide mutually beneficial standby facilities for the two systems, it is recommended that applicants investigate the feasibility of installing a suitable interconnection; this would probably involve a booster pump with pressure switch set to operate the pump upon demand for more water in the Phillips system and a by-pass equipped with a pressure-reducing valve which would open upon demand for additional water in the Penngrove system.

No subdivision work had been started at the time of the hearing. Witness for applicants stated that they plan simply to sell lots, with no intention of constructing the homes themselves. He further declared their intention to maintain their home within the tract, from where they would conduct the water utility business, with telephone contact available.

It appears that the County of Sonoma requires no franchise or permit to operate a water distribution system, other than to comply with the requirements of the public health authorities. Applicants' witness testified to their willingness to meet such requirements as soon as the well has been drilled and the water system constructed.

Findings and Conclusions

Applicants' proposed water system appears to be well designed to meet the requirements of the Commission's General Order No. 103 and, when so completed with the addition of suitable standby facilities when found practicable, there should be no difficulty in rendering adequate service. It appears that applicants are

financially capable of carrying out their proposed construction and operation of the water system.

Since there is no assurance that applicants will be able to obtain the necessary quantity of water at the site selected for drilling the proposed well, applicants will be required by the order herein to furnish proof satisfactory to the Commission that it has obtained an adequate supply of water. We will also require submission of evidence that such water supply meets the requirements of the public health authorities.

In order that the property on which the well and related facilities are located be dedicated to public 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 J. Howard Phillips and Nita Phillips, his wife, doing business as Phillips Water Service, to construct and operate a public utility system for the distribution and sale of water within the subdivision known as Phillips Acres, in unincorporated territory located westerly of and adjacent to the community of Penngrove in Sonoma County, substantially as shown on maps attached to the application herein.

IT IS FURTHER ORDERED that:

1. Applicants are authorized to file, concurrently, after the effective date of this order, the schedules of rates applicable to metered service and to fire hydrant service 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 with this Commission, within twenty days after the completion of the well referred to in the preceding opinion, a written report showing the date of completion and the depth of the said well, together with a copy of the results of a pumping test conducted to determine the well production.

4. 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.

5. Applicants shall file with this Commission, within one hundred eighty days after the date service is first rendered to the public under the rates and rules authorized herein, a report of the action taken to provide for the standby water supply referred to in the preceding opinion.

6. 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. Applicant 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.

7. Prior to the date service is first rendered to the public under the authority herein granted, applicants shall file with the Commission evidence of approval by the appropriate health authority of the County of Sonoma of the water supply for the water system herein certificated.

8.- 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 or will be located and any easements or permits where water mains will be located, otherwise than in streets dedicated to public use, including the right of way for the transmission line from the well to the distribution system, and shall file with the Commission, not later

than 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 San Francisco, California, this 23rd day of June, 1959.

E. L. Fox
President
W. E. B. Smith
W. E. B. Smith
Theodore DeWitt
Everett R. Fox
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated territory, including the subdivision known as Phillips Acres, and vicinity, located adjacent to and westerly of the community of Penngrove, Sonoma County.

RATES

Quantity Rates:

	Per Meter Per Month
First 800 cu.ft. or less	\$ 3.20
Next 4,200 cu.ft., per 100 cu.ft.35
Next 10,000 cu.ft., per 100 cu.ft.30
Over 15,000 cu.ft., per 100 cu.ft.20

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.20
For 3/4-inch meter	4.25
For 1-inch meter	7.00
For 1 1/2-inch meter	12.50
For 2-inch meter	22.50
For 3-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.

APPENDIX A
Page 2 of 2

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated territory, including the subdivision known as Phillips Acres, and vicinity, located adjacent to and westerly of the community of Penngrove, Sonoma County.

RATE

Per Month

For each hydrant \$1.50

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. The cost of installation and maintenance of hydrants will be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. 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.