

**ORIGINAL**

Decision No. 59454

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LARKFIELD WATER )  
 COMPANY, a California corporation, )  
 for a certificate of public con- )  
 venience and necessity to operate )  
 a water company in Larkfield )  
 Estates, subdivision, Sonoma )  
 County; to establish rates; and )  
 for a permit to issue stock. )  
 (Sections 816-830 and 1001 of the )  
 Public Utilities Code.) )

Application No. 41255

Charles M. Giovanetti, for applicant.  
R. Pardow Hooper, for Madeleine H. Russell,  
 interested party.  
John D. Reader and Sidney J. Webb, for the  
 Commission staff.

O P I N I O N

In this application, Larkfield Water Company, a California corporation, seeks a certificate of public convenience and necessity to operate a public utility water system in a newly developed subdivision located approximately three miles north of Santa Rosa. In addition, the applicant requests approval of a certain agreement and authority to issue 506 shares of the applicant's common stock at a par value of \$100 per share.

Hearing

Public hearing was held in Santa Rosa on September 1, 1959, before Examiner William L. Cole. The matter was submitted at that time subject to the filing of late-filed exhibits. These exhibits have now been filed and the matter is ready for decision.

The Proposed Service Area

Orvan M. Berry is presently subdividing and developing a portion of the service area requested by the applicant. This portion

is designated as the initial area. The entire proposed service area consists of approximately 83 acres and is shown by a map designated Exhibit B. This service area is described in Exhibit 1. The subdivision presently under construction in the initial area will be completed by July 1960. The remaining portion of the service area lies adjacent to the initial area. It is expected that this area will be subdivided by Orvan M. Berry by 1964. It is anticipated that this second area will be subdivided into approximately 125 residential lots. This second area is presently owned by Madeleine H. Russell who entered an appearance at the hearing. Madeleine H. Russell did not protest the granting of the application.

#### The Water System

Applicant is installing its water system in two stages. The first stage consists of the installation of the system that will serve the so-called initial area. The installation of this system is substantially completed. The second stage will be to install a distribution system serving the second area.

The transmission and distribution systems are being constructed entirely of 8-, 6- and 4-inch Transite pipe. A well has been installed in the initial area which has been test pumped at 400 gallons per minute.

It is anticipated that a concrete storage tank having a capacity of approximately 100,000 gallons will be installed at a site located adjacent to the service area in question which site is presently owned by Madeleine H. Russell. It is estimated that this storage tank will provide static water pressure in excess of 50 psi to the initial area and in excess of 30 psi in the second area at the service connections.

The transmission and distribution systems presently in place have been installed at depths exceeding 30 inches except at one

location where it was necessary to go over a large storm drain. The mains are at a depth of 24 inches at that point.

The applicant is installing 1-inch copper service connections and service valves to each lot and plans to install full 3/4-inch meters on all residential services.

The applicant estimated that the cost of construction of the system for the initial area is \$50,425.60. The staff estimated the cost for this portion of the system to be \$52,230.

Contract

As previously indicated, it is anticipated that a storage tank will be constructed on a site presently belonging to Madeleine H. Russell. Orvan M. Berry and Madeleine H. Russell have entered into an agreement whereby in return for the transfer of ownership to him of this tank site and a 10-foot wide easement from the site to the applicant's service area, Orvan M. Berry agrees to provide up to 300,000 gallons of water per month to Madeleine H. Russell for a period of five years. It is alleged that Orvan M. Berry will assign all of his rights and obligations under this agreement to the applicant. The agreement specifically provides that all obligations under the agreement are subject to the approval of the Commission.

It is the Commission's opinion and it so finds and concludes, that the agreement is not adverse to the public interest and the applicant will be authorized to accept the obligations of Orvan M. Berry set forth therein upon being assigned all of the rights of Orvan M. Berry as set forth therein.

During the course of the hearing, the staff made the following recommendations concerning the provisions of this agreement, which the Commission hereby adopts as its own:

1. That the applicant record as operating revenues the value of the 300,000 gallons of water delivered each month to Madeleine H. Russell pursuant to the agreement at the rates of the applicant then in effect plus any additional revenues from deliveries to Madeleine H. Russell during the life of the agreement.
2. That the applicant record as a cost of the tank site and easement obtained from Mrs. Russell an amount equivalent to the operating revenues actually accrued under the contract providing for up to 300,000 gallons of water to be delivered each month for 60 months computed at the rates authorized in this decision plus any legal or other expenses incurred in the assignment of the rights under the agreement to the applicant.

#### The Applicant

The applicant is a California corporation having its principal office in Sonoma County. It was organized June 15, 1959. Its Articles of Incorporation authorize the issuance of 750 shares of stock having a par value of \$100. Only one class of shares of stock is authorized. None of these shares is issued or outstanding, nor has the issuance of any such shares been authorized.

#### Financing

The applicant came into being owning or controlling no real or personal property. In effect it seeks authority to purchase the above-described water system from Orvan M. Berry and Ellen E. Berry, his wife, for 506 shares of the applicant's common stock. Orvan M. Berry and his wife financed the purchase, construction and installation of the distribution system and water supply facilities.

The applicant plans to finance further construction of its system into the second area under its water main extension rule.

#### Proposed Rates

With the exception of the fire hydrant rates set forth therein, the applicant proposed to charge the meter rates set forth in Appendix A attached hereto and made a part hereof. The applicant

has not proposed any fire hydrant rates, however, the staff has recommended that the fire hydrant rates set forth in the appendix be established at this time by the applicant. The Commission agrees with the staff's recommendations in this regard. The rates as proposed, including the fire hydrant rates proposed by the staff will be authorized.

#### Feasibility of Operations

The applicant expects to operate at a loss during its first year of operation. During this period of time, Orvan M. Berry will advance all funds necessary for the continued operation of applicant's business. Applicant proposes to carry the monies advanced by Orvan M. Berry on its books of account as an account payable to be repaid as soon as funds are available. It is anticipated that by 1961 the revenues received by the applicant will exceed its out-of-pocket expenses.

#### Public Health Permit

At the time of the hearing, the applicant, while it had informally contacted the applicable public health authorities, had not made application or filed a petition for a permit as provided for in Sections 4010 through 4025 of the Health and Safety Code. The applicant indicated it was going to apply or petition for such a permit, however. In view of this, the granting of any certificate shall be subject to the condition that the applicant, prior to commencing service, shall file a statement certifying that it has received such a permit.

#### Findings and Conclusions

After consideration of the record herein, the Commission is of the opinion that the application should be granted. Despite the fact that this utility will operate at a loss during its formative stages, the financial stability of its stockholders appears to be adequate and capable of supporting operations until full development of the subdivision is completed.

Inasmuch as this is a new service and especially with the expected operating deficit during the early years, the rates charged by this company may be reviewed by this Commission at any subsequent time in order to determine whether or not these rates are resulting in reasonable charges and a reasonable return.

Based upon all the evidence of record the Commission makes the following findings and conclusions:

1. That public convenience and necessity require that Larkfield Water Company be authorized to operate a public utility water system in the territory herein authorized.

2. That Larkfield Water Company be authorized to issue 506 shares of its common stock to Orvan M. Berry and Ellen E. Berry, his wife, as consideration for the transfer of the water system in question; and that the property, labor or money to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

3. That the requested certificate be granted to the Larkfield Water Company subject to restrictions set forth in the order which follows.

4. That the rates set forth in Appendix A, are justified, fair and reasonable.

The certificate granted in the following order 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 for any amount of money in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as 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 ordered as follows:

1. That a certificate of public convenience and necessity be and it is hereby granted to Larkfield Water Company, a corporation, to acquire, construct and operate a public utility system for the distribution and sale of water within the area hereinbefore described as shown on Exhibit B attached to the application and as further described in Exhibit 1. This certificate is subject to the condition that the applicant, prior to serving water to any consumer and not later than twenty days after the effective date of this decision, shall file a statement with the Commission certifying that it has received a permit from the appropriate Public Health Authority as required by Section 4010 through 4025 of the Health and Safety Code.

2. That Larkfield Water Company is hereby authorized to acquire from Orvan M. Berry and Ellen E. Berry the water system hereinabove required and is further authorized to issue 506 shares of its common stock as consideration for the acquisition of such water system.

3. That Larkfield Water Company is authorized to file after the effective date of this order the rates set forth in Appendix A attached hereto 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 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.

4. That Larkfield Water Company shall file within ninety 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 tract of land for which this certificate is issued, the water and distribution facilities and the location of the various properties of the company.

5. That Larkfield Water Company, prior to the commencement of service as herein authorized, shall certify over the signature of an officer that it is the owner of the assets and business of the aforesaid water system, including title to the tank site and pipeline easement, as evidenced by appropriate deeds and bills of sale.

6. That Larkfield Water Company shall file with the Commission monthly reports as required by General Order No. 24-A of this Commission which order in so far as applicable is hereby made a part of this order.

7. That Larkfield Water Company 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.

8. That Larkfield Water Company shall determine the accruals for depreciation by multiplying the depreciable plant by the rate of 2.4 per cent for the first five years of operation or until major changes in plant composition warrant review and revision. The results of these reviews shall be submitted to the Commission in writing.

9. That Larkfield Water Company is authorized to accept the obligations of Orvan M. Berry in that agreement attached to the application as Exhibit C upon the assignment to the applicant of all rights of Orvan M. Berry under the agreement.



The authorization herein granted shall 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 29<sup>th</sup> day of December, 1959.

*Ernest O. Page*  
 President

*John L. ...*

*William ...*

*S. Lynn Fox*

*Theodore H. Jensen*  
 Commissioners

APPENDIX A  
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated subdivision known as Larkfield Estates, and vicinity, located adjacent to U. S. Highway 101, approximately three miles north of the City of Santa Rosa, Sonoma County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,500 cu.ft. or less .....	\$ 4.50
Over 1,500 cu.ft., per 100 cu.ft. ....	.20
Minimum Charge:	
For 3/4-inch meter .....	\$ 4.50
For 1-inch meter .....	7.00
For 1 1/2-inch meter .....	9.00
For 2-inch meter .....	12.00
For 3-inch meter .....	16.00
For 4-inch meter .....	22.00

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated subdivision known as Larkfield Estates, and vicinity, located adjacent to U. S. Highway 101, approximately three miles north of the City of Santa Rosa, Sonoma County.

RATE

Per Month

For each hydrant ..... \$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. 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.