

Decision No. 59493

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of YERBA BUENA WATER COMPANY, a corporation, for an order authorizing it to extend its service area, to accept from a subdivider the improvements to be installed in said extended area, and for incorporation of said improvements into applicant's rate base.

Application No. 39469
First Supplemental

F. B. Yoakum, Jr., for applicant.
L. W. Austin, for protestants.
R. E. Entwistle and A. E. Main, for the Commission staff.

FIRST SUPPLEMENTAL OPINION

By the original application herein, Yerba Buena Water Company, a corporation, hereinafter referred to as applicant, sought (1) authority to extend its service area, (2) to enter into a nonstandard main extension agreement, and (3) a determination that the reasonable value of the improvements to be constructed be treated as a part of applicant's operative capital investment for rate fixing purposes and that the same be forthwith incorporated into applicant's rate base.

By Decision No. 57025, dated July 22, 1958, the application was denied without prejudice. Therein, inter alia, the Commission stated: "The record, in our opinion, does not warrant issuance of the authority sought by applicant. Aside from the impropriety of including forthwith in the rate base the entire amount of the

"\$16,951 advance, there remain uncertainties concerning not only the productive capacity of the proposed new well but also the terms and conditions under which the utility will commit itself to make the extension, not to mention the difficulty of meeting the refund obligations of the extension in light of the utility's present debt burden to the State of California."

On August 17, 1959, applicant filed the 1st Supplemental Application herein considered. Therein it requests (1) authority to extend its system to a portion of Tentative Tract No. 1223 in Ventura County; (2) authority to extend to the remainder^{1/} of tentative Tract No. 1223, subject to certain conditions; (3) approval of a subdivision main extension agreement which varies from standard; (4) an order that the donated property be treated as a part of applicant's operative and capital investment for rate fixing purposes and that the same be forthwith incorporated into applicant's rate base.

This latter request is hereby denied as, first, no reason was shown at the hearing why the Commission's usual practice relative to donated property should be changed, and, second, the proper time to present such a request would be when and if applicant applies to this Commission for an increase in its rates.

A public hearing on the supplemental application was held in Malibu, California, before Examiner Kent C. Rogers on October 30, 1959, and the matter was submitted subject to the receipt of certain exhibits within ten days. These exhibits have been filed and the matter is ready for decision. The present water users protested the application for the reason that they claim the granting of the proposed authority might jeopardize the quantity and quality of water available for the existing service area. The Department of Public

^{1/} Tract No. 1223, in its entirety, is the area considered in Decision No. 57025, supra.

Health of the State of California has granted a water supply permit, subject to certain conditions, to enable the applicant to use the proposed source of water (Exhibit No. 8), and it therefore appears that, if the supply is adequate in quantity, the use should be permitted.

Applicant's present and proposed service areas are shown on Exhibit No. 5 herein, and the proposed area is shown in detail on Exhibit No. 6. In the present service area there are 37 lots along the ocean with 26 metered connections. The ocean-front property can be divided into a total of 74 lots with a possibility eventually of 74 services. Across the Pacific Coast Highway is the area now occupied by Camp Hess Kramer in which there are at present three meters. This area may be divided into 25 lots, giving a total of 99 possible services in the present service area. The present water supply, applicant's Well No. 2, produces 37 gallons of water per minute which is the maximum production from this well. This well is connected to a 47,000-gallon storage tank having an elevation of 270 feet at the top thereof. Water is served by gravity therefrom.

Tentative Tract No. 1223 contains approximately 10.9 acres divided into 36 lots. Due to water supply limitations, applicant proposes at present to extend service to only 23 of said lots in the eastern portion of said tract. This latter area contains approximately 8 acres.

The subdivider has drilled a well (Well No. 3) in an easement owned by applicant northwest of applicant's present service area. This well has produced approximately 140 gallons of water per minute. It is equipped at present with a 5-horsepower pump which could produce approximately 50 gallons of water per minute. The water from this well has excessive dissolved solids and sulphates

with the result that only 17 gallons per minute therefrom may be blended with the full production from Well No. 2 to secure water acceptable to the California Department of Public Health (Exhibit No. 8). As a result, applicant will have only 54 gallons per minute for the present and proposed service areas. Applicant is attempting to secure permission to use 40 gallons per minute from the new well.

The blended water from the two wells is to be transmitted through the transmission and distribution system to the existing 47,000-gallon tank and to a proposed 76,000-gallon storage tank to be installed at an elevation of 250 feet at the top of the tank. This tank will be in the northern portion of Tentative Tract No. 1223. The water will be fed by gravity to the services therein which will be metered. At present only one street is contemplated. A 6-inch main will be installed therein, and there will be four fire hydrants, but there will be no fire hydrant rates, since there is no organized fire protection district in the area other than the Forestry Service.

The estimated cost of necessary facilities to be installed is as follows:

Well	\$ 3,888
Pump	3,600
Storage	4,800
Distribution	<u>8,307</u>
Total	\$20,595
Emergency and Contingencies at 15%	<u>3,089</u>
Total Estimate	\$23,684

Applicant and the subdivider have entered into an agreement, subject to approval by this Commission, pursuant to which the subdivider is to provide all facilities, including the well, pump,

tank, mains and fire hydrants. It is agreed that the well, pump and related facilities are to be donated to the applicant by the subdivider, and that the balance, consisting of the mains, the storage tank, fittings and hydrants, are to be paid for by the subdivider and the cost refunded by the applicant to the subdivider pursuant to applicant's filed Rule and Regulation No. 15-C (Exhibit D, 1st Supplemental Application, as amended by Exhibit No. 10).

Applicant's balance sheet, as of December 31, 1958, shows the following:

Total current assets	\$ 4,629.72
Preliminary Survey and Investigation Charges	2,089.97
Total Fixed Assets (less depreciation)	<u>31,431.16</u>
Total Assets	\$38,150.85

Liabilities and Capital

Total Liabilities	\$25,749.09
Total Capital *	<u>12,401.76</u>
Total	\$38,150.85

* Breakdown of Total Capital

Capital stock	\$26,000.00
Corporate deficit	(12,581.35)
Loss on Retirements and abandonments	(2,734.00)
Profit for period	1,717.11

Included in the liabilities is an item of \$20,480 which represents money owed the State of California for relocating mains. It was explained that there was a tentative agreement between the State and the applicant whereby the applicant would pay to the State its cash on hand, approximately \$4,000, and the balance of the indebtedness, approximately \$17,000, would be forgiven by the State. This latter agreement had not been finalized at the time of the hearing but is pending with the Board of Control. The applicant is certain that the obligation will be fully discharged by said payment.

Applicant's rates for domestic consumers, which will apply in the proposed area, are as follows:

<u>RATES</u>	<u>Per Meter Per Year</u>
Annual Quantity Rates:	
First 6,000 cu. ft. or less	\$45.00
Over 6,000 cu. ft., per 100 cu. ft.60
Annual Minimum Charge:	
For 5/8 x 3/4-inch meter	\$45.00
For 1-inch meter	60.00
For 1½-inch meter	75.00
For 2-inch meter	90.00

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

The applicant estimated it will cost \$2,163 annually, including depreciation, to operate the proposed extension. No detailed support of this expense estimate was provided. In addition, it was pointed out that under the agreement with the subdivider, the applicant would be required to pay 22 percent of the gross revenue to the subdivider. The applicant's ability to meet the estimated expenses and the refunds to the subdivider has not been substantiated in this record.

The staff investigated the matter and arrived at the conclusion that with full development of the area, at peak demand approximately 89,260 gallons of water per day would be required. It was the staff's opinion that with the contemplated storage, for peak demand, a production of 93 gallons of water per minute would be required, as opposed to the 54 gallons per minute which will be available in the system according to the proposal. This conclusion was based on full development which appears not to be in the immediate future, judging by the growth of the existing service area. The record also shows that applicant has pending a request for authority

from the Health Department to use 40 gallons per minute from Well No. 3, and that additional wells could be drilled in the well easement. For 80 percent development of both the existing service area and proposed extension, the staff estimates that the minimum water production required is 78 gallons per minute. Because availability of potable water appears critical, the Commission will require applicant, prior to completed certification of the proposed area extension, to have developed water production sources capable of safely yielding at least 78 gallons per minute of water acceptable in quality to the Department of Public Health.

The County of Ventura Planning Commission has set water supply requirements for subdivisions (Exhibit No. 12). Whether the water supply proposed for Tentative Tract No. 1223 (including the requested 23 lots) meets the county requirements has not yet been ascertained by the subdivider.

As the water supply is limited, applicant will be restricted from extending its service area beyond its presently certificated area plus the area specifically described herein until and unless specifically authorized by this Commission to serve additional territory.

Upon the evidence of record herein, we find that public convenience and necessity require that subject to certain conditions, applicant acquire and operate a public utility water corporation in that portion of Ventura County, California, described as a portion of Tentative Tract No. 1223, which portion is outlined in orange on Exhibit No. 6 herein, and that applicant should be restricted against extending service outside said described area and its present service area without further order of this Commission. The certificate herein conditionally granted is subject to the following provision of law:

The Commission shall have no power to authorize the capitalization of the 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.

The Commission further finds that the execution by the applicant and the subdivider of the main extension agreement, Exhibit D on the 1st Supplemental Application, as amended by Exhibit No. 10 herein, would not be adverse to the public interest and that the application for authority to execute said contract should be granted, provided that applicant fulfills the conditions set forth in the order which follows.

Except as to the authority herein specifically granted, the 1st Supplemental Application will be denied.

FIRST SUPPLEMENTAL ORDER

A 1st Supplemental Application having been filed, a public hearing having been held thereon, the Commission having found that public convenience and necessity require that Yerba Buena Water Company extend service as set forth in the order herein and subject to the restrictions therein contained, and that the execution of the proposed main extension agreement should be authorized, and that in all other respects the application should be denied, and based on said findings,

IT IS ORDERED:

(1) That a certificate of public convenience and necessity be, and it hereby is, granted to Yerba Buena Water Company authorizing it to extend service as a water corporation to that portion of Tentative Tract No. 1223 in Ventura County, California, outlined in orange on Exhibit No. 6 herein, subject to the following condition:

(a) That the certificate herein granted shall not become effective until applicant shall have satisfactorily demonstrated to this Commission that it has water production sources capable of safely yielding at least 78 gallons per minute of water acceptable in quality to the Department of Public Health.

(2) That the authority herein granted will expire if not exercised within one year from the effective date of this order.

(3) That Yerba Buena Water Company shall not extend its water system or water service outside the area authorized by paragraph (1) of the order herein and the area authorized by Decision No. 40950, dated November 19, 1947, in Application No. 28777, without further order from this Commission.

When applicant has met condition (1)(a) set forth above, the Commission will issue its supplemental order concerning the certificate and such other order or orders as may be appropriate.

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

Dated at San Francisco, California, this 12th day of January, 1960.

[Signature]
President
[Signature]
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Commissioners