

Decision No. 60161**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of the
 MESA WATER COMPANY INCORPORATED, a
 California corporation, for a certi-
 ficate of public convenience and
 necessity to operate a public utility
 water system, to establish rates
 therefor and for a permit to issue
 capital stock of said applicant
 corporation.

Application No. 41726

O P I N I O N

By the above-entitled application, filed December 4, 1959, Mesa Water Company, Incorporated, a California corporation, requests (1) a certificate of public convenience and necessity to operate a public utility water system in a subdivision known as Fairview Tract No. 170, in San Luis Obispo County, (2) authority to establish rates for water service to be rendered therein, and (3) authority to issue stock.

A field investigation was made in connection with this application on February 4, 1960, by a Commission staff engineer of the Hydraulic Branch of the Utilities Division. The results of his investigation are outlined in a memorandum dated April 4, 1960, which, together with a memorandum dated March 1, 1960, prepared by a representative of the Commission's Finance and Accounts Division, are hereby made a part of the record in this matter as Exhibit No. 1.

Proposed Service Area

The area sought by applicant to be certificated herein consists of approximately 45 acres of unincorporated territory located within Nipomo Mesa immediately north of the community of Nipomo in San Luis Obispo County. The application describes the said area as consisting of Blocks 4, 5, 6, 10, 11, 12, 16, 17, 18, 21, 22 and 23 of Fairview Tract in the Town of Nipomo, which is also designated on a map attached to the application as Exhibit B showing the subdivision of Fairview Tract No. 170, containing about 200 residential lots.

The application states that the land is owned by Tyler Development Co., Inc., a California corporation, and that the development of said land is planned to be continuous and without interruption, by units. It is also stated that there is a shortage of housing in and around this vicinity, caused by the over-all influx of population into the central coast area and the activation of the nearby Vandenberg Air Force Base.

Description of the Water System

The general features of the water system to be installed in this tract are shown on Exhibit B attached to the application and the source facilities are shown in more detail on Exhibit C thereof. The water will be supplied from two 12-inch diameter wells drilled to a depth of approximately 250 feet, neither of which is presently existing. Each will be equipped with a 20 horsepower deep well turbine unit capable of delivering 300 gallons per minute. The well pumps will deliver the water into a 150,000-gallon storage reservoir at ground level located at a high point immediately west of the tract. Water will be pumped therefrom by three booster pumps varying in size from five to ten horsepower, which will be

automatically controlled to respond to water requirements, into a 6,000-gallon hydropneumatic tank which will maintain pressures in the distribution mains between about 40 and 60 pounds per square inch. The distribution system will consist of approximately 10,000 feet of asbestos-cement pipe varying in size from eight to four inches and laid primarily in streets. There will be about 220 3/4-inch metered services and 8 fire hydrants connected to the system.

Exhibit D of the application shows the estimated cost of the facilities to be as follows:

<u>Acct. No.</u>	<u>Description</u>	<u>Amount</u>
301	Intangible plant	\$ 3,400
306	One 50-ft. x 100-ft. lot	2,000
311	Pump-and warehouse, fenced	1,776
315	Two 12-inch, 250 ft. wells, tested & sealed	7,600
324	Pumping equipment and controls	10,990
331	One chlorine injector	355
342	150,000-gal. reservoir and 6,000-gal. tank	12,280
343	Transmission and distribution mains	28,429
345	220 service connections, complete	9,900
346	220 5/8" x 3/4" meters	7,700
348	8 fire hydrants on 8" & 6" mains	2,384
372	Office furniture and equipment	800
373	Transportation equipment	2,400
374	Other general equipment	2,000
	Total utility plant	\$92,014

The water system as designed and proposed to be constructed is in accordance with the requirements of the Commission's General Order No. 103. Likewise, the anticipated water supply of 600 gallons per minute together with a storage of 150,000 gallons, as proposed, will be sufficient to furnish metered service in the area requested herein to be certificated.

Financing

To pay for the contemplated investment in the above-described water system, applicant proposes to issue 920 shares of its capital stock having a par value of \$100 per share. Applicant proposes to issue such stock at par to Tyler Development Co., Inc., on a dollar for dollar basis in exchange for the conveyance to applicant of the water utility plant as and when such facilities are installed and completed.

In addition thereto, applicant requests authority to issue 20 more shares of its stock to obtain \$2,000 cash as working capital, thus making a total of 940 shares for an aggregate amount of \$94,000. Applicant further requests that it be authorized to issue such stock from time to time within a period of two years from the date of its certification as a public utility. Applicant's requests appear reasonable and they will be granted.

Rates

Applicant proposes to furnish water service on a metered basis as follows:

Quantity Rates:	<u>Per Meter Per Month</u>
First 1,000 cu. ft. or less	\$ 5.00
Next 1,000 cu. ft., per 100 cu. ft.40
Next 1,000 cu. ft., per 100 cu. ft.30
Over 3,000 cu. ft., per 100 cu. ft.15

Minimum Charge:

For 5/8 x 3/4-inch meter	5.00
For 3/4-inch meter	9.00
For 1-inch meter	14.00
For 1 1/2-inch meter	20.00
For 2-inch meter	30.00

When compared with rates authorized by the Commission for other recently certificated water utilities in the same general vicinity, the minimum charge requested for a 5/8 x 3/4-inch meter

and the quantity allowed therefor appear to be unusually high; also the quantity rate for the last block is considered to be relatively low. The order herein will authorize a revised schedule of rates which are generally comparable with those in effect for other water utilities of this character operating under similar conditions.

Applicant also requests authorization to apply certain flat rates for water used for building construction and earth compaction purposes, landscaped model homes, and deliveries to tank trucks. The order herein will authorize a suitable rate schedule for such service at the proposed level of rates; except that no flat rate will be included for monthly service to landscaped model homes after their completion, which service should be rendered only on a metered basis.

The application states that the County of San Luis Obispo requires the installation and maintenance of fire hydrants within the area to be subdivided. However, applicant has not requested the authorization of any rate for service rendered to such hydrants. An appropriate rate schedule will be authorized to be applicable at such time as a fire protection agency may be organized to include the area proposed to be served by applicant. The rate of \$3.50 per hydrant per month established herein is the rate which has been authorized by the Commission for several comparable utilities in the same general vicinity.

Miscellaneous

Exhibit E of the application shows annual operating revenues from 220 residential service connections and 8 fire hydrants totaling \$22,192 on the basis of an average consumption of 1,900 cubic feet of water per month per lot. Corresponding operating expenses, depreciation and taxes are estimated at \$14,130 per year.

Applicant should be aware of the probability that little or no return on the total investment can be expected until development of the subdivision is well along.

The application states that no franchises will be required from public agencies for any of the proposed construction.

Applicant will be expected to obtain the necessary permit from the Health Department of the County of San Luis Obispo prior to the commencement of service.

Findings and Conclusions

Applicant's water supply facilities are considered adequate and the distribution system appears to be well designed to meet the requirements of the Commission's General Order No. 103.

In order that the property on which the wells, pumping units and related facilities are located be dedicated to public utility operations, as well as easements for any pipelines which will not be located in public streets, applicant will be required to file with the Commission documentary evidence to that effect.

No protest regarding this matter has been received by the Commission. There is no public utility water system operating in the area requested to be certificated herein. Savage Water Company, a public utility operating under the jurisdiction of the Commission, has been granted a certificate to furnish water service in a tract approximately one-half mile south of the area herein concerned. It does not appear feasible for Savage Water Company to extend service into the said area.

The Commission finds and concludes that public convenience and necessity require that the requested certificate be granted. The Commission further finds and concludes that the rates

set forth in the appendix to the following order are fair and reasonable for the service to be rendered.

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 for any amount of money 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 is of the opinion and finds that the money, property, or labor to be procured or paid for by the issuance of the stock herein authorized is reasonably required for the purposes specified and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income. The authorization herein given is not to be construed as a finding of value of applicant's stock or properties, nor as indicative of amounts to be included in any future rate base for determination of just and reasonable rates.

O R D E R

The Commission having considered the above-entitled application and being of the opinion that a public hearing is not necessary and that the application should be granted; therefore,

IT IS ORDERED that Mesa Water Company, Incorporated, a California corporation, be and it hereby is granted a certificate of public convenience and necessity to acquire, construct, maintain, and operate a public utility system for the distribution and sale of water in the subdivision designated as Fairview Tract No. 170

in San Luis Obispo County, as delineated on Exhibit B attached to the application herein.

IT IS FURTHER ORDERED that:

1. Applicant is authorized to file, 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 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. 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 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 tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

4. Applicant 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.

5. If the authorization herein granted is exercised, applicant shall dedicate to public utility purposes the land, parcels or areas on which the wells, pumps, tanks and related water facilities are located, and any easements or permits where water mains are located, otherwise than in streets dedicated to public use. Applicant 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.

6. If the authorization herein granted is exercised, prior to the date service is first furnished to the public under the authority herein granted, applicant shall (a) apply to the public health authority having jurisdiction for a water supply permit for its proposed system, and (b) report to this Commission, in writing, that application has been made for such permit, within ten days thereafter.

7. On and after the effective date hereof and on or before June 30, 1962, applicant may issue not to exceed 940 shares of its capital stock at par value of \$100 per share for the purposes specified in the foregoing opinion.

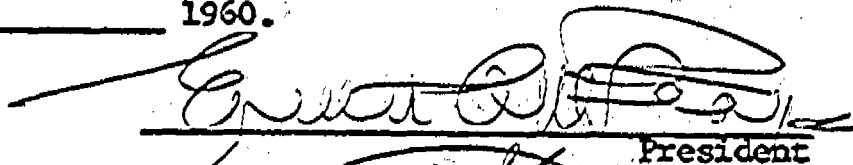
8. Applicant shall file with the Commission a report or reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

9. In all other respects the application is denied.

Except as otherwise specified in Paragraph 7 of this order, the authorization herein granted will expire if not exercised within one year after the date hereof.

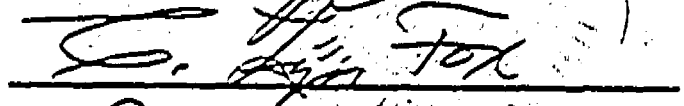
The effective date of this order shall be twenty days after the date hereof.

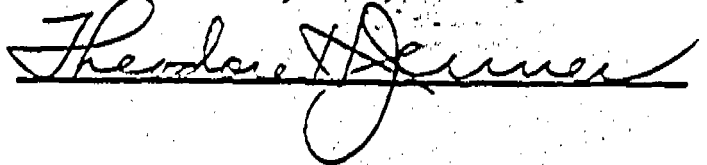
Dated at San Francisco, California, this 24th day of November 1960.



President







Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Fairview Tract, and vicinity, located immediately north of the community of Nipomo, San Luis Obispo County.

RATES

Per Meter
Per Month

Quantity Rates:

First	700 cu. ft. or less	\$ 3.50
Next	1,300 cu. ft., per 100 cu. ft.40
Next	1,000 cu. ft., per 100 cu. ft.30
Over	3,000 cu. ft., per 100 cu. ft.20

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 3.50
For	3/4-inch meter	5.00
For	1-inch meter	8.50
For	1 1/2-inch meter	14.00
For	2-inch meter	20.00

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. 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 area known as Fairview Tract, and vicinity, located immediately north of the community of Nipomo, San Luis Obispo County.

RATE

Per Month

For each hydrant \$3.50

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.

Schedule No. 9FC

CONSTRUCTION FLAT RATE SERVICEAPPLICABILITY

Applicable to flat rate water service furnished for building construction, subdivision development and deliveries to tank trucks.

TERRITORY

The unincorporated area known as Fairview Tract, and vicinity, located immediately north of the community of Nipomo, San Luis Obispo County.

RATES

Residences Constructed by Individuals:

For each residence constructed during a four-month period or less.....	\$17.50
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Tract Residential Construction:

For compaction and grading, per residential lot	5.00
For street compaction, per residential lot	2.50
For each residence during construction period	12.50

Tank truck deliveries, per 1,000 gallons of tank capacity20
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SPECIAL CONDITIONS

1. A customer desiring to obtain water deliveries under this schedule must first obtain a written permit from the utility.
2. The above residential tract construction rates apply to lots not larger than 10,000 square feet in area.

(Continued)

Schedule No. 9FC

CONSTRUCTION FLAT RATE SERVICE

SPECIAL CONDITIONS (Continued)

3. The above charges are payable before construction is commenced.

4. All construction service not covered by the above classifications will be furnished only on a metered basis.