

ORIGINALDecision No. 60431

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WOODSIDE OAKS WATER COMPANY, a California corporation, for a certificate of public convenience and necessity to purchase, construct and operate a water system in the County of San Mateo, State of California; to establish rates; and for a permit to issue stock.

Application No. 42027

T. E. Burke and H. L. Wenrick, for applicant.
John A. Volpiano, for Woodside Fire Protection District, interested party.
L. L. Thormod, for the Commission staff.

O P I N I O N

By this application, filed March 11, 1960, Woodside Oaks Water Company, a California corporation, seeks a certificate of public convenience and necessity, the establishment of rates for water service and authority to issue stock, in order to provide public utility water service within a portion of the City of Woodside.

Public hearing in the matter was held on May 26, 1960 at Redwood City. The matter was submitted, upon receipt of a late-filed exhibit, on June 22, 1960. The record in Application No. 36997, filed May 31, 1955, is incorporated in the record of the present proceeding.^{1/}

The construction of this water system was begun in 1955 and additions thereto have been made in each succeeding year. The entire water supply is received through a metered connection

^{1/} See Decision No. 52010, issued October 4, 1955, the effect of which was to deny without prejudice a request for a certificate, the establishment of water rates and the issuance of stock.

to the mains of California Water Service Company, such supply being subject to a letter-agreement between the two companies.

The area for which applicant seeks a certificate contains approximately 117 lots, about 66 of which are presently supplied water service by applicant. The water system, including storage facilities, is adequate to meet present demands and to meet probable future demands except in two minor instances. These latter involve the 2-inch mains in Tripp Court and Patrol Court. Each of these installations, made prior to the effective date of this Commission's General Order No. 103, have lengths of 2-inch pipe in excess of those presently allowable under the provisions of the general order. They present no immediate problem because they now serve few customers. Applicant is placed on notice, however, that irrespective of the fact that the mains were installed prior to the effective date of the general order, future adequacy of service will require their enlargement when additional customers are connected to these mains.

Applicant proposes a service charge type of meter rate patterned after that of its supplier. Such proposal is essentially that which it made in its 1955 application, modified upward to reflect rate increase authorizations which California Water Service Company has experienced in the interim. Applicant's present charges to its water users are less than those which it proposed in 1955, allegedly because applicant felt it would be wise to make lesser charges pending financing and operating changes necessary to overcome the deficiencies in such respects which led to a denial of its 1955 application. Applicant now proposes the following rates for residential water service:

<u>Monthly Service Charge</u>	<u>Per Meter</u>
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.00
For 1-inch meter	5.00
For 1½-inch meter	12.00
For 2-inch meter	25.00

Quantity Charge

For all water, per 100 cubic feet .65

In view of the evidence, the Commission finds these rates to be reasonable and they will be authorized. Applicant also proposed a fire hydrant rental charge of \$2.50 per hydrant per month. This charge was opposed by the Woodside Fire Protection District. In view of the evidence, the Commission finds that a charge of \$1.50 per month is fair and reasonable for this service. Further, the Commission finds as a fact that increases in rates and charges for water service which will result from the establishment of the rates herein authorized are justified.

Applicant has requested authority to install a 1-inch meter instead of a lesser sized meter, at its discretion, if the customer's use is more than 50,000 cubic feet of water in any two of six consecutive months. The Commission finds the evidence insufficient to justify such practice. Such request will be denied.

With respect to applicant's earnings position, applicant's showing was predicated on providing service to 100 customers, a situation which, according to its witnesses, may not prevail until 2 years hence. With respect to customer growth, it should be noted that in 1955 applicant anticipated that it would serve 100 customers by the end of its first 12-month period of operations. It seems clear that customer growth is at a far lesser rate than applicant's witnesses estimate. However, based upon the rates which applicant

requests, applicant indicates that it would earn a rate of return of about 3 percent when 100 customers are served.

The testimony of a Commission staff witness indicates that applicant's revenues may equal operating expenses when applicant has 75 customers. Until such time, applicant will not earn its normal operating expenses including depreciation. It will be able to meet all out-of-pocket expenses, however, including the necessary functions of operations, maintenance and administration for which applicant has contracted with a construction firm and an accounting organization. Applicant's witnesses, as officers of applicant, testified to the effect that the company is fully aware of such situation and is prepared to meet it. They now estimate that the system will serve 100 customers sometime within the next two years.

Applicant has no shares of stock outstanding at the present time. It now seeks authority to issue to Peninsula Development Company, its parent, 1,688 shares of its \$100 par value common stock for acquisition of the water system which the development company installed and for cash in the amount of \$5,000. Such proposal for issuance of stock is based upon the original cost of the properties and overlooks the fact that the plant has experienced depreciation. In view of the evidence, applicant should be authorized to issue no more than \$156,200 par value of stock in payment for the properties and \$5,046.23 in cash, and the Commission finds the fact so to be. Further, the Commission finds that the money, property or labor to be procured or paid for by such issue 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.

In this proceeding, as in the 1955 proceeding, applicant is not seeking certification for the entire area owned or controlled by the development company but contemplates ultimately serving such area in the normal course of its utility operations. In the light of the whole record the Commission finds and concludes that public convenience and necessity require that applicant be issued a certificate for the area delineated on Exhibit 1 attached to the application herein and, further, that the public interest will best be met by limiting applicant's operations to such area until applicant may, by further application, demonstrate to the satisfaction of the Commission that it should be permitted to expand its plant and/or operations beyond the boundaries of such area. Accordingly, a limited certificate will be granted at this time.

The certificate issued herein 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.

In view of the evidence, applicant will be required to enter in its plant account records the original costs of utility plant as of December 31, 1959, together with a depreciation reserve as of such date in the total amount of \$8,886.

O R D E R

Based upon the evidence and the findings set forth in the foregoing opinion,

IT IS ORDERED as follows:

1. A certificate of public convenience and necessity is hereby granted to Woodside Oaks Water Company to acquire, construct and operate a public utility system for the production, storage, distribution and sale of water within Woodside Oaks Tract 696, Woodside Oaks No. 2 Tract 714 and a parcel of land commonly known as Lands of Pennington as such area is delineated on Exhibit No. 1 attached to Application No. 42027. Said certificate, as it pertains to the lots within the parcel Lands of Pennington shall be non-exclusive with respect to the seven lots capable of being served from either Partition Road or Tripp Road.

2. Woodside Oaks Water Company shall not extend its plant or render service outside of the territory certificated to it without authority first having been obtained from this Commission.

3. Applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96, the schedules of rates and charges attached to this order as Appendix A, together with the rules set forth in Exhibit D in this proceeding and a tariff service area map acceptable to this Commission, to be effective for service rendered on and after September 1, 1960. Such rates, rules and tariff service area map shall become effective upon not less than five days' notice to the public and to this Commission after filing as herein provided.

4. Within sixty days after the effective date of this order, applicant shall file with this Commission four copies of a comprehensive map, drawn to an indicated 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.

5. Applicant, on or after the effective date hereof and on or before December 31, 1961, may issue and sell not to exceed 1,562 shares of its common stock at not less than \$100 a share for the purposes hereinabove set forth.

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

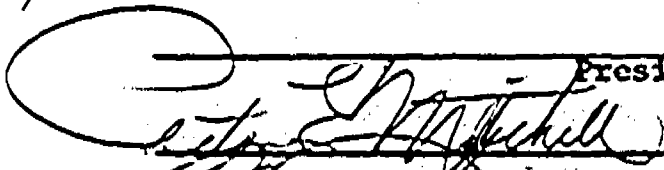

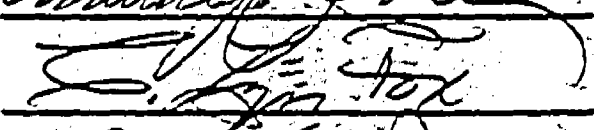
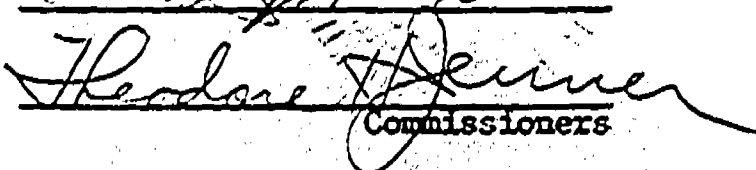
7. Beginning with the year 1960, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 2.3%. This rate shall be used until review indicates that it should be revised. Applicant shall review the depreciation rate using the straight-line remaining life method when major changes in utility plant composition occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

8. Applicant shall make such entries on its books as will reflect original costs of utility plant and depreciation reserve of \$8,886 as of December 31, 1959.

9. Within thirty days after the effective date of this order, applicant shall subscribe to local exchange telephone service under its corporate name and within ten days thereafter shall notify this Commission in writing of having so subscribed.

10. In all other respects this application is hereby denied.
The effective date of this order shall be twenty days
after the date hereof.

Dated at San Francisco, California, this
26th day of July, 1960.

	<u>President</u>
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	<u>Commissioners</u>

Commissioner Everett C. McKeage, being
necessarily absent, did not participate
in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Woodside Oaks, and vicinity, located within the City of Woodside, San Mateo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.00
For 1-inch meter	5.00
For 1 1/2-inch meter	12.00
For 2-inch meter	25.00
Quantity Rate:	
For all water delivered, per 100 cu.ft.	\$ 0.65

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added a monthly charge computed at the Quantity Rate.

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 area known as Woodside Oaks, and vicinity, located within the City of Woodside, San Mateo County.

RATE

	<u>Per Month</u>
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.