

**ORIGINAL**Decision No. 60727

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PALO MESA WATER CO., )  
 a corporation, for a certificate of )  
 public convenience and necessity; )  
 to construct and operate a public )  
 utility water system in San Luis )  
 Obispo County; to establish rates; )  
 and to issue stock. )

Application No. 42286

O P I N I O N

By the above-entitled application filed May 24, 1960, Palo Mesa Water Co., a corporation, requests a certificate of public convenience and necessity to construct and operate a public utility water system in an unincorporated area near Oceano, San Luis Obispo County, as shown on the map attached to the application as Exhibit A-2. Applicant also requests authority to issue stock and to establish rates for water service. Field investigations in connection with this application were made in May and July of 1960 by a staff engineer of the Commission.

No protests regarding this application have been received by the Commission.

Service Area

The area for which a certificate is requested is a subdivision known as Tract No. 151, which includes approximately 47 acres located adjacent to State Highway No. 1, approximately 2 miles southeasterly of the community of Oceano, San Luis Obispo County. This tract, presently being developed, is to contain 163 lots each of which will have an area of about 7,500 square feet. The subdivider of Tract No. 151 owns an additional 248 acres adjacent to the area requested to be certificated, which he intends to subdivide in the future.

Description of Water System

The water system as proposed for Tract No. 151 is to consist of approximately 2,331 feet of 8-inch, 6,597 feet of 6-inch, and 3,491 feet of 4-inch diameter cement mortar lined steel pipe. The distribution system is planned to be completely circulating with the exception of two minor short lengths of dead-end main which will be equipped with flush valves. Specifications call for the installation of 3/4-inch copper service connections and 5/8 by 3/4-inch meters for all residential lots. Ten standard type fire hydrants are planned to be installed at approximately 500 to 1,000-foot intervals in the distribution system.

It is proposed that the water supply for this system will be obtained from an existing 12-inch diameter well located within the area sought. It is planned that this well initially will be equipped with a 60-horsepower electric motor directly connected to a deep-well turbine pump capable of delivering approximately 500 gallons of water per minute at system pressure. Present plans call for a 5,000-gallon hydropneumatic tank to be installed at the well site. Because of elevation differences within the area to be served, it is anticipated by applicant that the pressure in the distribution system will vary between a minimum of 26 pounds per square inch and a maximum of 71 pounds per square inch.

The above-described facilities will be installed in accordance with standard specifications prepared by applicant's engineer. A copy of these specifications is hereby designated Exhibit 1 in this proceeding.

Applicant's future plan is that a 105,000-gallon storage tank eventually will be constructed at a high point approximately 1,400 feet southeasterly of the area for which the certificate is requested.

The subdivider's present plans call for a two-stage development of Tract No. 151. The planned initial development will consist of a subdivision of 46 lots, and the water system proposed to serve those lots is to consist of the above-described well and pressure tank and the necessary distribution mains, services, and meters. The balance of the system including the elevated storage tank and possibly a larger well pump are planned to be installed as the tract develops and customers and water usage increase.

Applicant's estimate of the cost of the above-described facilities is as follows:

Organization Cost	\$ 1,600
Land	9,000
Well	7,700
Pumping Equipment	8,600
Fencing	2,600
Reservoirs and Tanks	8,000
Distribution Mains	35,078
Services	6,705
Meters	4,970
Fire Hydrants	3,335
Office Equipment	550
Truck and Equipment	1,700
Total	<u>89,838</u>

In addition to the above items, applicant indicates that working cash in the amount of \$1,600 and materials and supplies in the amount of \$200 will be required to be kept on hand for the proposed operation.

Financing of System

Applicant requests permission to issue \$91,600 par value of common stock to finance the acquisition of the above-described water utility properties. If the water system is extended into adjacent areas as anticipated applicant intends to seek authorization of this Commission for an additional issuance of stock to finance such extension.

Rates

Water service is planned to be furnished on a metered basis only and the following schedule of rates has been requested:

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 400 cu.ft. or less .....	\$ 3.50
Next 600 cu.ft., per 100 cu.ft.	.40
Next 1,200 cu.ft., per 100 cu.ft.	.35
Next 1,800 cu.ft., per 100 cu.ft.	.30
Next 6,000 cu.ft., per 100 cu.ft.	.25
Over 10,000 cu.ft., per 100 cu.ft.	.20

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 3.50
For 3/4-inch meter .....	4.50
For 1-inch meter .....	5.50
For 1½-inch meter .....	11.25
For 2-inch meter .....	16.00
For 3-inch meter .....	26.00
For 4-inch meter .....	40.00

A fire hydrant rate of \$4 per month per hydrant also has been requested.

Findings and Conclusions

The Commission has given consideration to this matter and is of the opinion and finds that a public hearing is not necessary, and that applicant's water system facilities as proposed appear to be properly designed ultimately to furnish adequate water service in the area sought and to meet the minimum requirements of this Commission's General Order No. 103; however, to provide for the continuation of an adequate supply of water in case of failure of the single initial source of supply, applicant will be required to arrange for a connection with another firm potable source of supply or to have available appropriate standby facilities such as adequate storage or other means which can be placed in operation promptly.

The Commission finds and concludes that public convenience and necessity require the granting of the certificate herein sought.

It appears and we find that applicant has the requisite financial ability to carry out the proposed construction and operation of the water system during the developmental period of the area when little or no return will be realized from the proposed utility operation.

The order herein will authorize applicant to issue 916 shares of its common stock at a par value of \$100 per share to be used for the acquisition of the water system hereinbefore described.

The Commission is of the opinion, and so finds, that the money, property or labor to be procured or paid for by the issuance of the securities 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.

The authorization herein granted shall not be construed to be a finding of the value of applicant's stock or properties nor indicative of amounts to be included in any future rate base for the purpose of determining just and reasonable rates.

The certificate herein granted is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the 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 a consideration for the issuance of such certificate of public convenience and necessity or right.

The above-entitled application having been filed and the Commission being of the opinion and finding that the application should be granted, in part, and denied in part; therefore,

O R D E R

IT IS HEREBY ORDERED that Palo Mesa Water Co., a corporation, be and it is granted a certificate of public convenience and necessity to construct and operate a public utility water system for the distribution and sale of water in Tract No. 151, San Luis Obispo County, as shown on the map attached to the application as Exhibit A-2.

IT IS FURTHER ORDERED that:

1. The certificate granted in the foregoing paragraph of this order shall not become effective until applicant has provided for the reasonable continuation of an adequate supply of water in case of failure of its proposed initial single well source, and, after the effective date of this order, shall have filed in this proceeding written proof of the making of such provision.

2. 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 furnished to the public under the authority herein granted, together with rules and a tariff service area map acceptable to this Commission, 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 herein provided.

3. Applicant 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.

4. 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 200 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 system properties of applicant.

5. Applicant shall determine 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 1 following the date service is first furnished 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.

6. If the authorization herein granted is exercised, applicant shall dedicate to public utility purposes the lot or land area on which the wells, pumping facilities, and other related water supply facilities are located and any easements or permits where water mains will be located, other than in public streets, including the right of way for the transmission line from the wells to the subdivision, and shall file, 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.

7. Palo Mesa Water Co., on and after the effective date hereof and on or before December 31, 1961, may issue not to exceed \$91,600 aggregate par value of its capital stock at par for the purposes hereinabove set forth.

8. Palo Mesa Water Co. shall file with this Commission a report, or reports, as required by General Order No. 24-A, which order in so far as applicable is hereby made a part of this order.

9. Prior to the date service is first furnished to the public under the authority herein granted, applicant shall (a) apply to the health authority having jurisdiction for a water supply permit for the proposed system, and (b) report to the Commission, in writing, that application has been made for such permit.

10. Applicant, before installing any transmission or distribution mains with steel of lesser wall thickness than set forth in paragraph 5d(4) of this Commission's General Order No. 103, shall file with the Commission a written report, acceptable to the Commission, indicating that soil conditions are such that the installation will fully comply with said general order as amended by Decision No. 60104, dated May 17, 1960 in Case No. 5663.

11. In all other respects this application be and it is hereby denied.

The authorization herein granted will expire if not exercised within one year of the effective date of this order.

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

Dated at San Francisco, California, this 13<sup>th</sup> day of SEPTEMBER, 1960.

*Lawrence A. Rago*  
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 President

*[Signature]*  
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 Commissioners



APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Tract No. 151, and vicinity, located approximately 2 miles southeast of the community of Oceano, San Luis Obispo County.

RATES

Quantity Rates:	Per Meter Per Month
First 400 cu.ft. or less .....	\$ 3.50
Next 600 cu.ft., per 100 cu.ft. ....	.40
Next 1,200 cu.ft., per 100 cu.ft. ....	.35
Next 1,800 cu.ft., per 100 cu.ft. ....	.30
Next 6,000 cu.ft., per 100 cu.ft. ....	.25
Over 10,000 cu.ft., per 100 cu.ft. ....	.20

## Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 3.50
For 3/4-inch meter .....	4.50
For 1-inch meter .....	5.50
For 1 1/2-inch meter .....	11.25
For 2-inch meter .....	16.00
For 3-inch meter .....	26.00
For 4-inch meter .....	40.00

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 area known as Tract No. 151, and vicinity, located approximately 2 miles southeast of the community of Oceano, San Luis Obispo County.

RATE

Per Month

For each hydrant .....	\$4.00
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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.