

ORIGINAL

Decision No. 61991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
JAMES J. DOWNEY, dba GREENVUE ESTATES)
WATER COMPANY, for (1) a Certificate)
of Public Convenience and Necessity)
to construct and operate a public uti-)
lity water system, within a subdivided)
area located in the vicinity of the)
City of Santa Rosa, Sonoma County, (2))
to establish rates for the service ren-)
dered.)

Application No. 43127
(Amended)

William Stava for James J. Downey,
dba Greenvue Estates Water
Company, applicant.
W. B. Stradley and Sidney J. Webb
for the Commission staff.

O P I N I O N

This application was filed February 6, 1961, and an amend-
ment thereto was filed March 6, 1961. After due notice a public
hearing was held before Examiner William W. Dunlop at Santa Rosa on
March 28, 1961 at which time further amendment to the application
was made. At the conclusion of the day's hearing the matter was
submitted and now is ready for decision.

Applicant's Request

James J. Downey, doing business as Greenvue Estates Water
Company, requests a certificate of public convenience and necessity
to construct and operate a public utility water system in a parcel
containing approximately 68 acres which includes Greenvue Estates
subdivision in Sonoma County as set forth on the map filed as Ex-
hibit A of the application. Applicant also asks the Commission to
authorize the rates as proposed for general metered service.

The Applicant

Applicant is an individual owning and operating public utility water systems in Kenwood, Penngrove, Rio Dell and Russian River Terrace in Sonoma County, and in Inverness Park and Point Reyes in Marin County. In addition, applicant is associated with a corporation which has been authorized^{1/} to construct and operate a public utility water system in Happy Acres, Sonoma County, but as of the date of hearing no persons were residing in Happy Acres and said corporation had not yet complied with the conditions of said authorization.

As of December 31, 1960 applicant reported assets and liabilities of his public utility operations as follows:

<u>Assets</u>	<u>Amount as of</u> <u>12-31-60</u>
Utility Plant	\$141,355.32
Reserve for Depreciation	57,168.73
Utility Plant Less Reserve	<u>84,186.59</u>
Cash	6,713.23
Accounts Receivable	1,533.06
Materials and Supplies	<u>2,216.06</u>
Total Assets	\$ 94,648.94
 <u>Liabilities</u>	
Proprietorship	\$ 86,437.00
Customer Deposits	<u>8,211.94</u>
Total Liabilities	\$ 94,648.94

In addition applicant testified he had certain non-utility assets including \$20,000 cash from a recent sale of a parcel of land in Petaluma, a 17-acre parcel of land in Marin County which he valued at \$60,000 and a parcel of land in Kenwood which he valued at \$30,000. Applicant testified he had no outstanding indebtedness and that his bills were paid currently.

^{1/} Decision No. 58503, dated May 22, 1959, Application No. 39730.

Proposed Service Area

The proposed service area for which a certificate of public convenience and necessity is sought is located approximately four miles westerly from the City of Santa Rosa in Sonoma County, fronting on Hall Road at Piezzi Road in Section 19 Township 7 N. Range 8W^{2/} as delineated upon a map attached to the application as Exhibit A. In total the proposed service area consists of approximately 68 acres, 42.5 acres of which have been subdivided into 31 residential lots that vary in size from 1.05 to 1.27 acres, with some 7.69 acres being reserved for future commercial development. Some of the residential lots may be again subdivided into approximately one-half acre lots. The adjacent 25.5 acres to the north are proposed to be subdivided following the development of the 42.5 acre tract. The subdivider of the tract, W. H. Appleton, of Cotati proposes to sell the lots to individuals and builders. Two one-acre lots and one one-half acre lot had been sold as of the date of hearing. Applicant estimates that when the tract is developed there may be 65 residential customers and 5 commercial users.

According to the testimony, the service area is in close proximity to a golf course. The subdivider expects there will be 30 houses occupied within a period of 30 months.

Description of Water System

The water supply for this system is to be obtained initially from an 18-inch diameter gravel enveloped well 340 feet deep which was originally installed for irrigation purposes some 10 years ago. The well is located within the proposed service area. According to the application the static water level in this well is 29 feet and the draw down is to 75 feet when the pump is discharging water at the rate of 420 gallons per minute. Presently there is installed^{2/} Mount Diablo Base and Meridian.

a pumping plant consisting of a 30-horsepower motor on a 350-gallon per minute pump, together with switching gear. The water is delivered through approximately 2,000 feet of existing six-inch dipped 10-gauge steel pipeline which has been in place for approximately 10 years. This portion of the system was previously used for irrigation of an orchard.

Applicant has arranged to acquire the existing water system from the subdivider together with a half-acre parcel of land for pump and well site. In addition to the existing system applicant proposes to install a pump house for the pumping plant, and a 30,000-gallon ground storage wood tank at the well site. To serve all of the lots in the initial tract applicant proposes the installation of 4,300 feet of 4-inch Transite class 150 pipe and some 2-inch diameter galvanized pipe to serve lots on dead-end streets. A chlorinator is to be installed at the well to treat the water. It is proposed that water be delivered from the well to the storage tank and thence discharged into the distribution system by a booster pump and 500-gallon surge tank.

The storage tank, according to applicant, would be placed in service when a total of 10 customers were served.

Plant Costs and Financing

Applicant estimates that the complete water system to serve 70 customers will cost \$29,325 segregated as follows:

<u>Item</u>	<u>Estimated Original Cost</u>	<u>Estimated Cost Less Depreciation</u>
<u>A. Properties to be Acquired:</u>		
Land, 1/2 Acre	\$ 1,000	\$ 1,000
Well, 18" diameter, 340' deep	3,400	2,550
Pump, 30 hp motor 350 gpm pump switches and valves	3,000	1,500
Distribution, 2,000' - 6" - 10-gauge steel pipe	6,000	4,500
	<u>\$13,400</u>	<u>\$ 9,550</u>
<u>B. Additional Facilities to be Constructed:</u> ^{3/}		
		<u>Estimated Cost</u>
Pump House		\$ 300
Booster Pump		700
Chlorinator		800
Storage		2,500
Mains		6,450
Services		5,475
Meters		<u>3,550</u>
Subtotal		\$ 19,775
TOTAL		\$ 29,325

The subdivider, W. H. Appleton, has offered to sell to applicant the items of properties listed under Item A. above for \$6,000 cash payable at such time as 30 houses are connected to the water system.^{4/} Applicant testified there were no records available showing the actual original cost of the existing water system but that he had prepared the above estimates and was prepared to pay the \$6,000 cash for such plant.

^{3/} Applicant did not show any amount for a 500-gallon surge tank or for 2-inch galvanized pipe which he testified would be needed.

^{4/} Exhibit D of the amendment to application.

With respect to the additional features to be constructed totalling \$19,775 applicant proposed to finance from his own resources \$7,850 and proposed that the balance, or \$11,925, consisting of the distribution mains and services be financed under the main extension rule. If applicant were authorized to enter into an agreement with the subdivider to advance such portion of the cost of the system, applicant would be obligated to refund such an advance at the rate of 22 percent of gross revenues.

Applicant's Rate Proposal

Applicant proposes a service charge type of meter rate. Charges for water used would be added to the service charge at the quantity rates proposed. Applicant's proposed rates are as follows:

<u>Service Charge</u>	<u>Per Meter Per Month</u>
For 5/8 X 3/4-inch meter	\$2.50
For 3/4-inch meter	3.00
For 1-inch meter	3.50
For 1 1/2-inch meter	7.00
For 2-inch meter	9.00

Quantity Rate

First 1000 cubic feet, per 100 cu. ft.....	0.40
Over 1000 cubic feet, per 100 cu. ft.....	0.30

No fire hydrants are expected to be installed and accordingly no rates for such service are proposed.

None of applicant's other water systems has a service charge type of meter rate.

Estimated Operating Results

Based on a development of 70 customers and the rates proposed in the application, applicant estimated the following operating results for the water system:

	<u>Estimated Amount</u>
Operating Revenues	\$6,700
Operating Expenses	3,390
Depreciation	924
Taxes	600
	<hr/>
Total Expenses and Taxes	\$4,914
Net Revenue	\$1,786

In developing his estimate of operating revenues applicant used an average water consumption of 1600 cubic feet per month per customer. Applicant's expense estimates are based on his experience in operating comparable water systems. The amount of \$600 for taxes includes \$300 for property taxes and \$300 for income taxes, principally Federal income taxes using straight line depreciation.

On the basis of the above revenue estimate, the annual payment on the cost of the facilities proposed to be financed under the main extension rule would be 22 percent of \$6,700 or \$1,474. Applicant contemplates ultimately serving the entire 68-acre service area and adjacent areas in the normal course of its utility operations and plans to finance future expansion of mains and services under the main extension rule and paying 22 percent of gross revenues to re-fund advances for such facilities.

Franchises and Permits

It is understood that no franchise is required by Sonoma County.

The evidence shows that there are no other public utility water systems in the vicinity of the area sought to be certificated

and that the nearest water system, owned by the City of Santa Rosa, is approximately 4 miles distant.

Applicant stated he had applied for a permit from the Sonoma County Health Department to supply water for domestic and commercial purposes within the proposed service area.

Findings and Conclusions

The Commission finds and concludes that it would not be in the public interest to authorize applicant to finance any portion of the water system required to render service to the 42.5-acre subdivision designated Greenvue Estates by application of the water main extension rule and that applicant's request to do so should be denied.

We find that applicant is financially able to acquire and construct the water system by the use of his own funds and to operate the water system.

We find that the water rates proposed by applicant should be modified to provide for a reasonable quantity of water under the minimum charge.

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

O R D E R

Public hearing having been held on the above-entitled application, the matter having been submitted and now being ready for decision based upon the evidence and the findings and conclusions thereon expressed in the foregoing opinion,

IT IS ORDERED that:

A certificate of public convenience and necessity be and it hereby is granted to James J. Downey to construct and operate a public utility water system, known as Greenvue Estates Water Company, for the production, distribution and sale of water within the 68-acre parcel located in unincorporated territory approximately 4 miles west of the City of Santa Rosa, Sonoma County, as shown on the map attached to the application as Exhibit A; subject, however, to the following conditions:

a. That applicant, James J. Downey, shall finance the acquisition and construction of all of the facilities necessary to supply water to the 42.5-acre subdivision designated Greenvue Estates out of his personal funds.

b. That permission to finance that portion of the system consisting of distribution mains and service connections in said 42.5-acre subdivision under the main extension rule, as proposed by applicant is specifically denied.

c. That applicant, James J. Downey, before commencing water service, first shall have provided at least 30,000 gallons of water storage and adequate booster facilities, all in a manner acceptable to the Commission, and shall have so notified the Commission in writing after the effective date of this order.

IT IS FURTHER ORDERED that:

1. Applicant shall not extend service outside of the territory certificated to him without authority first having been obtained from this Commission.

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 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.

3. 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.

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 tract of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

5. 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.

6. Except to the extent authorized herein, the application is hereby denied.

7. The certificate herein granted and the authority to render service under the rates and rules authorized herein will expire if not exercised within one year after the effective date of this order.

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

Dated at San Francisco, California, this 16th day of May, 1961.

Ernest W. Pease
President
W. H. Hill
S. L. Fox
George E. Hoover
Frederick B. Hallock
Commissioners

Appendix A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated subdivision known as Greenvue Estates, and vicinity, located approximately 4 miles west of the City of Santa Rosa, Sonoma County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Charge:	
First 600 cu. ft. or less.....	\$ 3.50
Next 1,000 cu. ft., per 100 cu. ft.....	.40
Next 1,400 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	4.75
For 1-inch meter	7.50
For 1 1/2-inch meter	13.00
For 2-inch meter	18.00

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