

Decision No. 62184**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 VISTA WATER CO., INC., a California
 corporation, for a certificate of
 public convenience and necessity to
 operate a public utility water sys-
 tem, to establish rates therefor
 and for a permit to issue capital
 stock of said applicant corporation.

Application No. 42336
 (Amended)

Daniel J. Kirk (for Robert L. Trapp), for applicant.

John D. Reader, for the Commission staff.

O P I N I O N

By the above-entitled application, filed June 8, 1960, and by amendment thereto filed September 28, 1960, Vista Water Co., Inc., a California corporation, requests (1) a certificate of public convenience and necessity to acquire, construct and operate a public utility water system in Tract No. 199, to be known as Galaxy Park, which is a subdivision of Lots 7, 8, 15 and 16 of La Mesa Tract, part of Lot 15 of Ward's Subdivision of Rancho Nipomo, in San Luis Obispo County, (2) the establishment of rates for water service to be rendered therein, and (3) authority to issue a certain number of shares of its capital stock.

Public Hearing

After due notice, a public hearing on this matter was held before Examiner E. Ronald Foster at Santa Maria on April 21, 1961. At the hearing applicant requested, and was granted, permission to further amend its application in several particulars. Among other things, applicant proposed a revised schedule of rates for metered

service and a rate for public fire hydrant service, and asked that the previously requested flat rate for building construction and tract development be entirely eliminated.

Copies of the application and of the amendment thereto were sent to certain other public utility water systems in the neighborhood located as shown on the map attached as Exhibit "G" to the amendment to the application. No protests regarding this application have been received by the Commission.

At the conclusion of the hearing, the matter was submitted and it is now ready for decision.

Proposed Service Area

The area sought to be certificated herein consists of approximately 90 acres of unincorporated territory located about two miles southwest of the community of Nipomo in San Luis Obispo County and lying west of County Road No. 39 and south of Hazel Lane, as shown on the map of Tract No. 199 introduced as Exhibit No. 1 in this proceeding. The said map shows an area of 12.2 acres at the southerly end of the tract reserved for a trailer court, an area of 12.5 acres at the northerly end thereof reserved for a shopping center and the balance of the area subdivided into 305 residential lots, except for a storm water pond occupying 2.3 acres located southeast of the center of the tract. Most of the lots are 60 by 100 feet in size and others are somewhat larger.

Since the application was filed, the entire area has been zoned for trailers. The subdivider provides a septic tank and drain, an electric connection and a water service connection for each lot. The lots will be sold to trailer owners who will move their trailers onto the lots and occupy them as more or less permanent residences. It is contemplated that the development of

the tract will proceed in units and that all of the tract will be developed and occupied within the next two years. At the time of the hearing, the first 26-lot unit had been approved by the State Division of Real Estate, several lots had been sold and about 14 trailers which are presently being supplied with water had been located along Mercury Drive. The second unit will consist of 20 lots.

Applicant represents that the whole area in which the subdivision is located is undergoing substantial increase in population, due partly to the activation of the nearby Vandenberg Air Force Base. Hence, it is claimed that there is considerable demand for this type of housing.

Description of Water System

The present source of water supply is a gravel-packed deep well located near the southeast corner of the tract. It is equipped with a 25-horsepower submersible pumping unit capable of producing about 250 gallons per minute against the system pressure. The water is delivered into the system through a 3,000-gallon hydropneumatic tank with automatic pressure controls. The initial portion of the transmission and distribution system as now installed consists of 6-inch and 4-inch mains. When completed, there will be a total of about 16,050 feet of 6-inch, 4-inch and 2-inch asbestos-cement piping. Service connections are of one-inch copper pipe with 3/4-inch branches to supply two lots. It is proposed to install 5/8 x 3/4-inch meters on the services. Six fire hydrants are to be installed within the tract.

A second well is planned to be drilled near the northwest corner of the tract, in connection with which would be an 83,000-gallon ground-level storage tank with a booster pump arranged as shown on Exhibit No. 2. However, it is now applicant's intention

to install the said storage tank and pump at the existing well, in order to provide standby service in case of failure of the supply from that source. This tank and pump will be automatically controlled to go into operation if the well pump fails, and an alarm will alert the operator when the tank supply drops below a certain level. This standby supply would provide water for one day's maximum use for about 100 customers.

Applicant's Exhibit No. 3 includes a water supply permit granted on April 21, 1961, by the State Board of Public Health, pertaining to the existing well. Exhibit No. 4 indicates that the supply is satisfactory, based on a bacteriologic examination of a sample collected on March 20, 1961.

Estimated Cost of Facilities

The cost of the water facilities proposed to be installed to serve the entire tract as detailed in Exhibit "D" of the application, modified by the amendment thereto, and as corrected at the hearing, is estimated by applicant to be as follows:

<u>Acct. No.</u>	<u>Description</u>	<u>Amount</u>
301	Intangible plant	\$ 1,500
306	Two lots for pumping plants	5,000
311	Pump- and warehouse, fenced	4,500
315	Two deep wells, tested and sealed	8,868
324	Pumping equipment and controls	14,300
331	One chlorine injector	300
342	Storage reservoir and 2 pressure tanks	15,000
343	Transmission and distribution mains	52,600
345	341 service connections	15,140
346	341 5/8 x 3/4-inch meters	11,985
348	6 fire hydrants	1,800
372	Office furniture and equipment	1,800
373	Transportation equipment	5,000
374	Other general equipment	3,500
	Total utility plant	\$141,293

To pay for the contemplated investment in the above-described water system, applicant proposes to issue 1,413 shares of

its capital stock having a par value of \$100 per share. In addition thereto, applicant requests authority to issue 16 more shares of its stock to obtain \$1,600 cash as working capital, thus making a total of 1,429 shares for an aggregate amount of \$142,900.

Applicant proposes to issue such stock at par to Mid-Cal Investment Co., a corporation which has been organized by the land developers, on a dollar for dollar basis in exchange for the conveyance to applicant of the water utility plant as now installed, and as and when such facilities are installed and completed during the ensuing two-year period. Applicant's requests appear reasonable and they will be granted.

Estimated Operations

Exhibit "E" of the application, as revised at the hearing, shows annual operating revenues totaling \$30,533 on the basis of an average consumption of 1,900 cubic feet of water per month for each of the 305 residential and 36 commercial service connections and including fire protection service through six fire hydrants. Corresponding operating expenses, depreciation and taxes are estimated at \$20,750 per year. The resulting net revenue of about \$9,800 would represent a rate of return of approximately 6.85% on the total anticipated investment of \$142,900.

Applicant should be aware of the probability that little or no return on the 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.

Proposed Rates

As now amended, the following schedules of rates are those proposed by applicant for the water service to be rendered:

General Metered ServicePer Meter
Per Month

Quantity Rates:

First 700 cu.ft. or less	\$ 4.00
Next 1,000 cu.ft., per 100 cu.ft.30
Next 1,300 cu.ft., per 100 cu.ft.20
Over 3,000 cu.ft., per 100 cu.ft.15

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 4.00
For 3/4-inch meter	7.00
For 1-inch meter	12.00
For 1½-inch meter	18.00
For 2-inch meter	30.00

Public Fire Hydrant ServicePer Month

For each fire hydrant	\$ 3.50
-----------------------------	---------

The proposed quantity rates are comparable to those which have been authorized for similar service by other public water utilities of like character in this vicinity and they appear to be reasonable. However, the proposed minimum charges for meters larger than 5/8 x 3/4-inch appear to be unreasonably high. Therefore, in the rate schedule hereinafter authorized, the minimum charges for the larger sizes of meters will be revised downward to make them approximately commensurate with the relative delivery capacities of the several sizes of meters, in accordance with the recommendation of the Commission staff engineer witness in this proceeding.

Commission Staff Participation

A memorandum (Exhibit No. 6) was introduced in evidence, which covers the results of field investigations made by staff engineers. The first such field investigation resulted in certain modifications in applicant's proposals, such as moving the storage tank to the location of the first well and the interconnection of some previously indicated deadends in the distribution system.

As part of his testimony, the staff engineer recommended that the certificate, if granted, should not become effective until the storage tank and booster pump have been installed and placed in service at the existing well site. He further recommended that any certificate granted should be limited to service of not more than 25 acres including a maximum of 100 customers, until the second proposed well is installed and placed in operation, together with a suitable interconnecting pipeline from the second well to the initial pumping plant.

Findings and Conclusions

Applicant's water supply facilities as now proposed are considered adequate and the distribution system appears to be well designed to meet the minimum 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.

The Commission finds and concludes that public convenience and necessity require at this time that the requested certificate be granted to include only the area comprising Blocks Nos. 1, 2, 3, 14 and 15 of Tract No. 199, San Luis Obispo County. The said area includes approximately 25.5 acres of which 2.3 acres have been set aside for a storm water pond.

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 above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Vista Water Co., Inc., a corporation, to acquire, construct and operate a public utility water system for the distribution and sale of water within the unincorporated area comprising Blocks Nos. 1, 2, 3, 14 and 15 of the subdivision designated as Tract No. 199 and known as Galaxy Park, in San Luis Obispo County, as shown on the map filed as Exhibit No. 1 in this proceeding.

IT IS FURTHER ORDERED that:

1. The certificate granted in the foregoing paragraph of this order shall not become effective until applicant shall have provided for the continuation of a reasonably adequate supply of water, in case of failure of applicant's single existing well and its related pumping unit, by installing and placing in operation at the site of said well a storage tank of 83,000 gallons capacity, or larger, and a booster pump or pumps capable of delivering at least 300 gallons per minute from said tank into the distribution system, all in a manner acceptable to the Commission, and shall have so notified the Commission in writing after the effective date of this order.

2. Until such time as applicant shall have installed an additional well, or wells, comparable in productive capacity to the existing well and shall have installed and placed in operation a suitable pumping unit in connection therewith, the delivery from which shall be interconnected with the initial source of supply and storage facilities by means of an appropriate pipeline, all in a manner acceptable to the Commission, applicant shall not extend service outside of the above certificated area.

3. 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.

4. 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.

5. 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 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.

6. 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.

7. If the certificate herein granted is exercised, applicant shall dedicate to public utility purposes the land parcels or areas on which the well, pumps, tanks, and related water facilities are located and any easements or permits where water mains are or will be located, otherwise than in streets dedicated to public use, including the easement or right of way for the transmission line from the pumping plant to the distribution system, and 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.

8. On and after the effective date hereof and on or before December 31, 1963, applicant may issue not to exceed 1,429 shares of its capital stock at par value of \$100 per share for the purposes specified in the foregoing opinion.

9. 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.

10. In all other respects the application be and it is hereby denied.

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
27th day of June, 1961.

Ernest W. Rogers
President
W. L. H. H. H. H. H.
E. L. L. L. L.
George L. Brown
Frederick B. H. H. H.
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including Tract No. 199 known as Galaxy Park, and vicinity, located approximately two miles southwest of the community of Nipomo, San Luis Obispo County.

RATES

Per Meter
Per Month

Quantity Rates:

First 700 cu.ft. or less	\$ 4.00
Next 1,000 cu.ft., per 100 cu.ft.30
Next 1,300 cu.ft., per 100 cu.ft.20
Over 3,000 cu.ft., per 100 cu.ft.15

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 4.00
For 3/4-inch meter	5.25
For 1-inch meter	7.50
For 1 1/2-inch meter	11.50
For 2-inch meter	16.00

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

APPENDIX A
Page 2 of 2

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to duly organized fire districts or other political subdivisions of the State.

TERRITORY

The unincorporated area including Tract No. 199 known as Galaxy Park, and vicinity, located approximately two miles southwest 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 a result of its normal operation of the system.