

ORIGINAL

Decision No. 64206

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of HONOR OAK WATER COMPANY, a corporation, for a certificate of public convenience and necessity to construct and operate a Public Utilities water system in Sutter County, to establish rates and for permission and authority to issue stock in said corporation.

Application No. 44371
(Filed April 20, 1962)

Robert C. Cook, for applicant.

George C. Doran and Sidney J. Webb, for the Commission staff.

O P I N I O N

By this application Honor Oak Water Company, a California corporation, seeks (1) a certificate of public convenience and necessity to construct a public utility water system in a portion of Sutter County; (2) authority to establish rates and charges for the service to be rendered by said water system, and (3) authority to issue stock in the amount of \$10,000.

Public hearing was held before Examiner Martin J. Porter at San Francisco on June 26, 1962, on which date the matter was submitted.

Facts

The area for which a certificate is requested, Honor Oak Homesites, Unit No. 1, is located northwest of the juncture of Butte House Road and Onstott Road, immediately adjacent to the northwestern boundary of Yuba City. Honor Oak Homesites, which contains about 46 acres, ultimately is planned to be subdivided

into 110 lots. At the present time, Unit No. 1, consisting of about 6.5 acres, is subdivided into 14 lots located along the southwest side of the requested area. Of the 14 lots, 6 average in excess of 17,000 square feet in area and the other 8 lots average about 12,500 square feet. The topography of the area is flat and, except for the subdivided area, is implanted with a peach orchard.

The source of supply for the presently subdivided lots is a 12-inch cased well, 95 feet deep. This well is equipped with a vertical 7½-horsepower, motor driven, deep-well turbine pump capable of an output of 100 gallons per minute against normal system pressure. The system is designed to operate in the range of 40 to 60 pounds per square inch pressure. Water is first pumped into a 500-gallon pressure tank, thence, into a 5,000-gallon pressure tank and into 6-inch and 4-inch cast iron distribution mains.

Exhibit E, attached to the application, is a map showing the present and proposed systems. An analysis of the water supply indicates that the present one well and storage will meet the minimum water requirements for Unit No. 1; however, additional water would be required if the tract were to expand beyond the present number of lots.

Honor Oak Water Company proposes to issue 100 shares of \$100 par value stock to the officers of the corporation. The proceeds of the stock issue are to be used to purchase the existing water system and for working cash.

It is estimated that the depreciated original cost of the facilities to be purchased will be approximately \$7,274.77.

Applicant, although planning to install fire hydrants within the tract, has not shown any revenues to be derived from its

proposed fire hydrant schedule; the reason for this is that it is the practice in the area to allow the volunteer fire department to use available water free of charge.

Depreciation as set up by the applicant is based upon lives of 20 years for tanks and underground lines, and 10 years for pumps and motors, resulting in a rate of 4.5% of gross plant. The Commission staff engineer testified that a rate of 2.7% of gross plant gives a more reasonable estimate of depreciation expenses. This approximates 30 years for tanks, 10 years for pumps and motors and 40 years for underground lines.

Applicant had originally proposed rates of \$4.50 and \$5.50 for residential flat rate service based on the size of the unit; at the hearing applicant requested a straight \$3.00 rate which would conform to the rate charged by Yuba City for water service.

Exhibits "B" and "C" attached to the application are Water Supply Permit and Department of Public Health Report for the water supply to be initially used in the development of Unit No. 1.

The Commission staff engineer also testified that the proposed water system appears to be properly designed to furnish adequate service to the area requested to be certificated and conforms with the Commission's General Order No. 103.

Howard H. Harter, and Norma P. Harter, his wife, own the land to be developed, and also the land upon which the well, pumping plant, motor and tank are located. Howard H. Harter testified that it would be more practical to lease the site where these facilities are located rather than incur the expense of a survey for such a small area if it was required to deed the property to the applicant.

Such lease arrangement could place the Harters in the position of a separate public utility rendering resale service to applicant.

Findings

The Commission finds that public convenience and necessity require that the requested certificate be granted. The Commission further finds that the rates set forth in the appendix to the following order are fair and reasonable for the service to be rendered.

Applicant's water supply and distribution facilities appear to be designed to meet the minimum requirements of the Commission's General Order No. 103 for 14 customers. An alternate source of water should be connected to the system before development beyond Unit No. 1 is commenced.

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.

No franchise is required by the County of Sutter.

In the event applicant exercises the authority herein granted it will be required to file with the Commission documentary evidence to show that it has acquired the well and the property on which the well, tank and related facilities are located, as well as easements for pipelines which are not located in public streets.

The Commission finds that the money, property or labor to be procured or paid for by the issuance of stock authorized by the following order is reasonably required for the purpose specified

herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authority granted herein authorizing the issuance of shares of capital stock shall not be construed to be a finding of value of applicant's stock or properties nor as indicative of amounts to be included in a future rate base.

O R D E R

Based upon the evidence and the findings contained in the foregoing opinion,

IT IS ORDERED that:

1. A certificate of public convenience and necessity is hereby granted to Honor Oak Water Company, a corporation, to construct and operate a public utility water system within Honor Oak Homesites, Sutter County, as said area is described on page 2, paragraph II of the application herein.

2. Applicant is authorized to file with this Commission, after the effective date of this order and prior to the date service is first furnished to the public under the authority herein granted, in conformity with General Order No. 96-A, and in a manner acceptable to the Commission, the schedules of rates attached to this order as Appendix A, rules governing service to customers, a tariff service area map, and copies of printed forms to be used in connection with customers' services. Such rates, rules, tariff service area map and forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove 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 of not more than 400 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. When the number of customers reaches 10, or within one year after the date service is first furnished to the public under the authority herein granted, whichever is earlier, applicant shall have installed such alternate facilities as are necessary to provide for the reasonable continuation of an adequate supply of water in case of failure of the initial single source of supply. Within ten days after such alternate facilities are installed, applicant shall file a written report with this Commission, showing the number of customers then served and details of the manner in which the requirements of this paragraph have been accomplished.

6. Beginning with the year 1962, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of 2.7%. 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.

7. If the authorization herein granted is exercised, applicant shall acquire the well and the land parcels or areas on which the well, pump, tank, 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 right of way for the transmission line from the well 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 acquisition of such property, easements or permits.

8. Applicant, for the purpose of acquiring said water system, may issue not to exceed 100 shares of its capital stock, at \$100 per share, after the effective date of this order but on or before December 31, 1962. 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 this order.

The certificate and authorizations hereinabove granted 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 4th day of SEPTEMBER, 1962.

George E. Grover President
[Signature]
[Signature]
Fredrick B. Hillhoff

Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Honor Oak Homesites, and vicinity, located immediately northwest of Yuba City, Sutter County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu.ft. or less	\$ 2.80
Next 1,200 cu.ft., per 100 cu.ft.25
Next 2,000 cu.ft., per 100 cu.ft.20
Over 4,000 cu.ft., per 100 cu.ft.15
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.80
For 3/4-inch meter	3.75
For 1-inch meter	6.00
For 1 1/2-inch meter	10.00
For 2-inch meter	15.00
For 3-inch meter	24.00
For 4-inch meter	36.00

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

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The area known as Honor Oak Homesites, and vicinity, located immediately northwest of Yuba City, Sutter County.

RATES

	<u>Per Service Connection Per Month</u>
For a single-family residential unit, including premises not exceeding 10,000 sq.ft. in area	\$3.00
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.00
b. For each 100 sq.ft. of premises in excess of 10,000 sq.ft.03

SPECIAL CONDITIONS

1. The above residential flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. For service covered by the above classifications, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.

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Schedule No. 3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all irrigation service.

TERRITORY

The area known as Honor Oak Homesites, and vicinity, located immediately northwest of Yuba City, Sutter County.

RATE

Per Acre-Foot

For all water delivered \$20.00

SPECIAL CONDITIONS

1. Written application for service under this schedule shall be made on or before the first day of the first month of the season or calendar year in which service is desired.

2. The size of meter for the foregoing service shall not be greater than reasonably necessary to furnish service to the area to be irrigated.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The area known as Honor Oak Homesites, and vicinity, located immediately northwest of Yuba City, Sutter County.

RATE

	<u>Per Month</u>
For each hydrant	\$2.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1, General Metered Service.
2. The cost of installation and maintenance of hydrants shall be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the specific location at which each hydrant is to be installed.
5. 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.