

64446

ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 OAKRIDGE WATER COMPANY, a corporation,
 for an order authorizing the issuance
 of Stock, for a Certificate of Public
 Convenience and Necessity to acquire
 and maintain a water system, and for
 an Order fixing water rates.

Application No. 43961

Robert R. Barton, for applicant.James R. Barrett and Sidney Webb, for the
Commission staff.O P I N I O N

Public hearing was held on this application before Examiner John Power at San Jose on May 24, 1962, and the matter was submitted. There were no protests.

Applicant seeks a certificate of public convenience and necessity to provide water service in an area known as Stratford Terrace, Tract No. 2960. It is an irregularly shaped area and the 76 lots comprising it are also irregular in shape and vary considerably in size. The elevation within the tract varies from about 350 to 650 feet above sea level. The public utility water system of San Jose Water Works is contiguous to Tract No. 2960 along Rosemar Avenue, the northwesterly boundary of the subdivision.

San Jose Water Works has agreed to deliver 150 gallons of water per minute to a property line of the subdivision. Such delivery will be pursuant to a written agreement presented at the

hearing as Exhibit 2. This agreement does not guarantee service, since delivery will be outside San Jose's service area. However, it does promise 150 gpm when available, and the record discloses no reason to doubt such availability. It is made subject to Commission approval.

The agreement deviates from San Jose Water Works' filed rule governing main extensions in that it requires a nonrefundable advance of \$600. Further, the agreement does not contain a provision that it shall, at all times, be subject to change or modification by this Commission in the exercise of its jurisdiction, which provision is required by the Commission's General Order No. 96-A. The parties to the agreement are hereby placed on notice that the required provision is in full force and effect, even though not included in the agreement.

A pump house is to be constructed near the proposed delivery point, at the lowest elevation in the subdivision. It will house a 350-gallon redwood tank, a 20-hp. motor, and a centrifugal pump capable of delivering 150 gallons per minute against a pressure of 136 pounds per square inch. Another pump house, to be constructed at the highest elevation of the tract, will contain an air compressor and a 7½-hp. motor-driven centrifugal pump capable of delivering 200 gallons per minute against a pressure of 40 pounds per square inch. A 1,000-gallon pressure tank and a 150,000-gallon redwood storage tank will be located nearby. Eighteen lots at higher elevations of the subdivision will be served as an essentially isolated system through use of the pressure tank. The distribution system will consist of asbestos-cement mains, of which approximately 4,600 feet

will be 6-inch, and 1,700 feet 3-inch. Services will be of 3/4-inch copper and there will be seven fire hydrants within the tract.

Applicant's plant cost, both incurred and estimated, is summarized as follows:

<u>Length or Quantity</u>	<u>Item</u>	<u>Cost</u>
4,733 feet	6" ACP Main	\$20,825.20
1,833 feet	3" ACP Main	4,490.85
7	Fire Hydrants	2,030.00
34	Double Services	4,080.00
8	Single Services	640.00
5	Blowoffs	300.00
---	3" Galvanized Pipe	50.00
	Subtotal (Incurred Cost)	\$32,416.05
	To Complete, Est. (1)	33,800.00
	Estimated Total	\$66,216.05

(1) Per bona fide bid testified to by applicant's engineer witness. The witness' own estimate was \$33,390.

In addition, applicant estimates expenditures of \$1,700 for organization, of \$5,000 for land, and of \$4,000 for engineering.

The application states that a water supply permit has been issued for the proposed water system by the State Department of Public Health.

The application indicates that water will be furnished exclusively on a metered basis. The proposed minimum charge for a 5/8 x 3/4-inch meter is \$4.50 per month, with a monthly entitlement of 500 cubic feet of water. A schedule for public fire hydrant service is also proposed, with a rate of \$3.50 per hydrant per month. Appropriate schedules of these proposed rates are included in Appendix A attached hereto.

The proposed meter rates are appreciably higher than those applicable in the adjacent territory of San Jose Water Works. A comparison of charges for service to a customer with a 5/8 x 3/4-inch meter under applicant's proposed rates and under Schedule No. 1, General Metered Service, of San Jose Water Works is set forth below:

<u>Quantity (Cu. Ft.)</u>	<u>Under Proposed Rates</u>	<u>Under Rates of San Jose Water Works</u>
500	\$ 4.50*	\$ 1.70*
1,000	8.00	2.90
1,500	10.50	4.10
2,000	13.00	5.30
3,000	17.00	7.70
5,000	23.00	11.00

* Minimum Charge

Unit costs to pump, store and distribute water are expected to be high in the area. In view of the high elevation, the variation in elevation, and the obvious reluctance of San Jose Water Works to take on the obligation of service to the tract, the proposed rates are reasonable.

The proposed water system is designed to furnish adequate service within the area for which a certificate is requested, and to conform with the Commission's General Order No. 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction."

The estimated average investment in utility plant will amount to approximately \$980 per customer. This is substantially higher than other recently constructed systems in the same general area and is occasioned by the high elevations throughout the subdivision.

Applicant proposes to issue 750 shares of its common capital stock to D. Russell Symon, Sr., and Ted Whitaker in exchange for \$70,000 cash and land worth \$5,000, the cash proceeds to be applied to meet the estimated capital expenditures hereinabove set forth. This proposal is reasonable and will be granted.

Based upon the application and the evidence adduced at the hearing, the Commission finds that:

1. Public convenience and necessity require that the application be granted as set forth in the following order.
2. Applicant possesses the financial resources to construct and operate the proposed water system.
3. Applicant's proposed water supply and distribution facilities will provide reasonable service for the proposed certificated area and meet the minimum requirements of General Order No. 103.
4. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.
5. The required permit from the appropriate health authority has been obtained.
6. The money, property or labor to be procured or paid for by the issue of the securities herein authorized is reasonably required for the purposes specified herein and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
7. The terms and conditions of the proposed agreement between applicant and San Jose Water Works are not adverse to the public interest.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the action herein taken 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 a future rate base for the determination of just and reasonable rates.

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 and the Commission basing its decision on the findings set forth in the foregoing opinion,

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Oakridge Water Company, a corporation, authorizing it to construct and operate a public utility water system for the distribution and sale of water within the area delineated on the map attached to the application and designated as Exhibit "B" thereto, namely, Tract No. 2960, Stratford Terrace, in the City of San Jose.

2. Applicant is authorized to file with this Commission, after the effective date of this order and prior to the date service is first rendered to the public under the authority herein granted, in a manner acceptable to the Commission and in conformity with the provisions of General Order No. 96-A, the schedules of rates and charges set forth in Appendix A attached to this order, together with rules governing service to customers, a tariff service area map showing definite boundaries, and sample copies of printed forms to be used in connection with customers' services. Said rates, rules, tariff service area map and forms shall become effective upon five days' notice to the public and to this Commission 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 territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

5. Beginning with the year 1962, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of 3 percent. 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.

6. Applicant, for the purposes herein set forth, may issue not to exceed \$75,000 aggregate par value of its capital stock at par.

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

8. 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.

9. If the authority herein granted is exercised, applicant is authorized and directed to carry out the terms and conditions of the agreement with San Jose Water Works (Exhibit 2) and, prior to the date service is first furnished to the public, shall file with the Commission two fully conformed copies of the agreement, as executed.

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

Dated at San Francisco, California, this 23rd day of OCTOBER, 1962.

George G. Hoover
President

W. J. McCall

S. L. Felt

Carl H. [unclear]

Frederick B. [unclear]
Commissioners

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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 2960, and vicinity, located in San Jose, Santa Clara County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 cu.ft. or less	\$ 4.50
Next 500 cu.ft., per 100 cu.ft.70
Next 1,000 cu.ft., per 100 cu.ft.50
Next 1,000 cu.ft., per 100 cu.ft.40
Over 3,000 cu.ft., per 100 cu.ft.30

Minimum Charge:

For 5/8 x 3/4-inch meter.	\$ 4.50
For 3/4-inch meter.	5.20
For 1-inch meter.	8.00
For 1 1/2-inch meter.	14.00
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.

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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 Tract No. 2960, and vicinity, located in San Jose, Santa Clara County.

RATE

	<u>Per Month</u>
For each hydrant	\$ 3.50

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 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.