

ORIGINALDecision No. 69032

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
 John S. Cavanaugh & Evelyn Cavanaugh)
 dba Hillview Water Company for a)
 Certificate of Public Convenience and)
 Necessity to add a new service area)
 in Sunny Meadows Subdivision No. 1,)
 Santa Cruz County, and to make rates)
 of the Hillview Water Company)
 applicable thereto. }

Application No. 47091
 (Filed November 5, 1964)

Lee Pope, for applicants.

John L. McCarthy, for City of Watsonville; and
Alvin L. Lease, protestants.

Arlin Johnson, interested party.

W. B. Stradley and John J. Gibbons, for the
 Commission staff.

O P I N I O N

This application was heard before Commissioner Grover and Examiner Gillanders at Watsonville on March 8, 1965. The matter was submitted subject to the filing of late-filed exhibits and concurrent briefs, which have been received. Copies of the application and notice of hearing were served in accordance with the Commission's procedural rules. The protestants are the City of Watsonville and Alvin L. Lease.

Applicants presently are authorized to operate a public utility water system in Tract No. 207, Vienna Woods Subdivision, which is located one and one-half miles east of Aptos, Santa Cruz County. Applicants request the issuance of a certificate of public convenience and necessity to add a new service area in Sunny Meadows Subdivision No. 1, Tract No. 433, which is located about three miles northwest of the city limits of Watsonville, Santa Cruz County.

Sunny Meadows Subdivision is located approximately seven miles east of Vienna Woods Subdivision.

Sunny Meadows Subdivision No. 1 consists of 39 lots, each averaging 6,000 square feet. The water system as installed consists of a 318-foot well equipped with a 10 HP motor and pump with a capacity of 86 gpm. The pump will deliver water to the system through a 1,000-gallon pressure tank set to maintain pressures from 40 to 60 psig. A standby well will be equipped with a 5 HP motor and pump of 40 gpm capacity. The distribution system consists of 2,200 feet of 4-inch class 150 asbestos-cement pipe. There are no dead ends in the system and four main valves and two wharf type fire hydrants are installed. Service connections are one-inch copper for double services and 3/4-inch copper for single services.

Applicants request that their presently filed general metered service rates and public fire hydrant service rates be made applicable to service furnished in Sunny Meadows Subdivision. The presently filed monthly rate for a 5/8 x 3/4-inch meter consists of a \$2.50 minimum charge for 500 cubic feet or less, 40 cents per 100 cubic feet for the next 1,000 cubic feet, 30 cents per 100 cubic feet for the next 2,500 cubic feet and 25 cents per 100 cubic feet for all water in excess of 4,000 cubic feet. These rates were filed effective June 18, 1960. Applicants do not offer flat rate commercial service. Applicants testified that the subdivider has installed the water system, but that no main extension agreement has been signed by the subdivider.

Applicants have no full-time employees, but they have one man on call and have a pump and motor sales organization on 24-hour call. Applicants have received a temporary health permit for the system.

The subdivider testified that he has \$155,215 invested so far in the subdivision, of which \$14,000 was for the water system. He started the subdivision before October 1964. He has no present plans for adding units to the initial development.

A real estate broker, who has been acting for the subdivider, introduced evidence which shows that on February 25, 1964 the City Council of the City of Watsonville denied the application of the subdivider for a water main extension from the City's facilities. He also introduced evidence that as of April 22, 1964 the City of Watsonville informed the County Board of Zoning Adjustment that a water main extension to the subdivision had been deferred until such time as adequate water of proper pressure could be assured; that should the subdivision have its own water system, it could not, at a later date, be made a part of the City's system unless approved by the City Council and unless the mains and services were constructed to City standards. He testified that on or about February 26, 1965 the City of Watsonville indicated that City water might be available, but that the City had never said how such water would be supplied.

The City of Watsonville, through three witnesses, introduced evidence which may be summarized as follows: The City did not permanently deny water to the subdivider; it deferred action until water was available; City water is now available to the subdivision; the distribution system installed in the subdivision does not meet City standards; and the City Council has not as yet decided whether or not it will be willing to purchase the subdivider's system.

The Commission's staff, through an engineering witness and a financial witness, introduced evidence which may be summarized as follows: The water system as constructed and proposed appears to be

properly designed to furnish adequate service in the area requested to be certificated and conforms to the Commission's General Order No. 103; the average plant per customer appears to be reasonable; estimated net annual revenue when the tract is completely occupied will be \$161; such net return is not sufficient to provide an adequate rate of return on the approximately \$9,000 of source facilities which should be covered by a separate "Special Facilities, Main Extension Contract" pursuant to Sections C.1b and C.2c of applicants' main extension rule; applicants' investment in the subdivision might become a burden on applicants' existing customers.

The record is clear that the City of Watsonville can now supply service to the subdivision. However, the record is also clear that it indicated its willingness to serve in the general area of the subdivision only after applicants applied to this Commission for a certificate to serve the area. If applicants' request is denied, the subdivider stands to lose his investment in water facilities now installed in the subdivision and would be required to expend large sums to bring his system into conformity with the requirements of the City with respect to piping and service connections.

The record shows that the subdivider acted in good faith at all times. He first approached the City for water service and his request was denied. Based in part on this rejection by the City, the County approved his subdivision plans. He then proceeded to install his own water system in accordance with this Commission's construction requirements and arranged with an existing public utility to take over operation of the system.

Applicants appear to have acted in good faith at all times. John S. Cavanaugh testified that he was willing to make personal funds available for special facilities refunds if the revenue from the subdivision is not sufficient to carry the refund obligation.

The Commission finds that:

1. Public convenience and necessity require that the application be granted as set forth in the following order.
2. Applicants possess the financial resources to operate the water system.
3. The rates set forth in paragraph (g) of the application are fair and reasonable for the service to be rendered.
4. Applicants' water facilities will provide reasonable service for the proposed certificated area and meet the minimum requirements of General Order No. 103.
5. A temporary water supply permit has been issued for this system by the public health authority having jurisdiction.
6. Applicants should refund the cost of facilities other than mains, fittings, services, hydrants and meters as special facilities in accordance with Section C.2c of their main extension rule.
7. The operation of the water system in the area herein certificated should not be allowed to become a burden upon applicants' existing customers.

The Commission concludes that the application should be granted upon the conditions prescribed in the following order.

The certificate hereinafter granted shall be subject to the following provision of law:

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

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to John S. Cavanaugh and Evelyn Cavanaugh, doing business as Hillview Water Company, authorizing them to construct and operate a public utility water system to serve Sunny Meadows Subdivision No. 1, Tract No. 433, Santa Cruz County.

2. After the effective date of this order and not less than four days before service is first furnished to the public under the authority granted herein, applicants shall file revised tariff sheets, including a tariff service area map, to provide for the application of their tariffs to the area certificated herein. After having been so filed, such tariff sheets shall become effective the fourth day after the date filed. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

3. Within ten days after service is first furnished to the public under the authority granted herein, applicants shall file in this proceeding written notice thereof.

4. If the applicants exercise the authority granted in Paragraph 1 of this Order, they are hereby directed to execute a main extension contract for the facilities to serve Tract No. 433.

5. Applicants shall prepare and keep current the system map required by Paragraph 1.10.a. of General Order No. 103. Within thirty days after the water system is placed in operation under the authority granted herein, applicants shall file with the Commission two copies of such map.

6. For the year 1965, applicants shall apply a depreciation rate of 2.4 percent to the original cost of depreciable plant. Until review indicates otherwise, applicants shall continue to use this rate.

Applicants shall review their depreciation rates at intervals of not more than five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by:

(1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to the Commission.

7. Applicants shall apply to the appropriate public health authority having jurisdiction for a permanent water supply permit and submit written notice thereof to this Commission.

8. Applicants shall not expand their water system installed in Tract No. 433, Santa Cruz County, beyond the boundaries of said Tract No. 433 without prior authorization of this Commission.

9. Applicants shall keep separate plant, depreciation reserve, revenue and direct expense records for Tract No. 433 so as to enable them readily to determine the costs of providing water service to said tract. These costs shall not be urged to justify higher water rates for Tract No. 207.

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

Dated at San Francisco, California, this 11th day of MAY, 1965.

[Signature] President
George T. Hoover
[Signature]
[Signature] Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.