

ORIGINALDecision No. 69190

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 LAWRENCE R. VANONI, dba "COAST SPRINGS
 WATER COMPANY" for a certificate of
 public convenience and necessity
 authorizing applicant to furnish public
 utility water service in a certain por-
 tion of Marin County, California, and
 for an order authorizing applicant to
 deviate from the provisions of its
 Main Extension rule.

Application No. 47368
 (Filed February 26, 1965;
 Amended April 8, 1965)

O P I N I O N

Lawrence R. Vanoni, an individual doing business as Coast Springs Water Company, seeks (1) a certificate of public convenience and necessity to construct an extension of his present system and (2) authority to deviate from certain provisions of his filed main extension rule.

Present and Proposed Areas

Applicant's present service area is delineated on the map attached to the original pleading herein. It consists of some 50 acres comprising Subdivision No. 2, Dillon Beach, and a portion of Subdivision No. 1, Portola Beach Townsite, in the unincorporated community of Dillon Beach, Marin County. The water system was originally installed in 1905 and was acquired by applicant pursuant to the authority granted by Decision No. 40344, dated June 3, 1947, in Application No. 28376.

Applicant's proposed additional service area is shown on the map, Exhibit C, attached to the original pleading herein.

It consists of approximately 30 acres comprising the 68-lot Unit No. 1 of Oceana Marin Subdivision, located immediately adjacent to the north end of applicant's present service area. There are no other water systems with which the proposed construction is likely to compete.

Proposed Construction

The distribution system within the new subdivision will consist of 4,700 feet of 4-inch and 6-inch asbestos-cement distribution mains, 68 metered services and five fire hydrants. Three additional wells and pumps and one additional storage tank will be installed to supplement applicant's present well sources and storage facilities. About 3,800 feet of transmission mains, ranging in size from 1½ to 6 inches in diameter, will connect the new wells and tank to the distribution mains, which will also be interconnected, for emergencies, with applicant's present distribution mains.

A Commission staff engineer's report, hereby received as Exhibit No. 1 in this proceeding, states that the proposed facilities will be adequate to provide service to the new territory and will conform with the requirements of General Order No. 103.

Financing

The developer of Oceana Marin originally planned to finance the water system by means of improvement district assessment bonds at a cost of some \$74,900. The developer then intended to acquire the system from the county and to transfer it to applicant, subject to refund of \$74,900 essentially on the basis set forth in applicant's main extension rule. The developer now proposes to build the system with his own funds at a saving of about \$9,200, to contribute to applicant the wells, storage tank

and related sites, representing \$12,000 of utility plant, and to transfer the remainder of the system to applicant subject to refund of \$53,705 on a basis similar to that prescribed by applicant's main extension rule.

Under the revised financing plan, applicant's outstanding advances for construction initially will be just under 50 percent of total water plant less depreciation reserve, the maximum percentage permitted by applicant's main extension rule. Some \$26,485 of the advance, however, is related to meters and back-up facilities and might be refunded rather rapidly in proportion to the degree of occupancy of the lots within the subdivision. Also, periodic refunds of portions of the remaining \$27,220 of the advance, on a percentage-of-revenue basis, will further reduce the outstanding advance contract balance.

Applicant states that he is in sound financial condition and will finance the refunds to the developer for meters and back-up facilities with his personal funds and bank loans as required. His December 31, 1964 balance sheet for the utility operation, Exhibit H attached to the pleading herein, shows that the present water system is unencumbered with long-term debt.

Rates and Earnings

For the new area, applicant originally requested zone rates significantly higher than the rates now in effect for his present service area. The amendment to the application indicates that the revised financing plan will permit applicant's present rates to produce a return of approximately 6 to 7 percent on rate base during 1968, the first full year following anticipated completion of all residential construction in the new area.

Decision No. 67107, dated April 21, 1964, in Application No. 45916

found a rate of return of 6-3/4 percent to be reasonable for applicant's operations.

Until such time as applicant serves sufficient customers in the new area, revenues therefrom will not cover operating expenses related to the additional territory. The developer will reimburse applicant annually for any such deficiencies. Further, the developer's stockholders personally will guarantee the reimbursement obligation. The personal financial statements of those individuals, pages 2 and 3 of Exhibit N attached to the amendment to the application, show that the individuals are financially capable of providing that guarantee.

Findings and Conclusions

The Commission finds that:

1. Public convenience and necessity require the extension of applicant's water system to serve the area requested herein.
2. It is fair and reasonable for applicant to charge the same rates in the requested area as he charges in his present area.
3. Under the financing arrangement discussed herein, applicant has the financial ability to extend his water system into the requested area.
4. The facilities proposed to be installed for applicant are adequate to serve the requested area and conform with the requirements of General Order No. 103.
5. The deviations from applicant's main extension rule discussed herein are not adverse to the public interest.

The Commission concludes that the certificate requested by applicant should be granted and that applicant should be authorized to deviate from certain provisions of his main extension rule.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is hereby granted to applicant Lawrence R. Vanoni, authorizing the construction of extensions of his public utility water system to serve the 68-lot Unit No. 1 of Oceana Marin Subdivision, at Dillon Beach, Marin County, as such territory is shown on the map, Exhibit C to the original pleading herein.

2. After the effective date of this order, applicant is authorized to file revised tariff sheets, including tariff service area maps, to provide for the application of his present tariff schedules to the area certificated herein. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

3. Compliance by applicant with paragraph 2 of this order shall constitute acceptance by him of the right and obligation to furnish public utility water service within the area certificated herein. The authorities granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

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

5. Within one year after the effective date of this order, applicant is authorized to deviate from his filed main extension rule in providing facilities to serve the area certificated herein, to the following extent:

- a. Applicant may accept as a contribution from the developer approximately \$12,000 of utility plant consisting of wells, storage tank, and related sites, and shall record the actual amount of such contribution received as "Contributions in Aid of Construction".
- b. Applicant may include the approximately \$3,400 cost of water meters with the advances to be refunded under Section C.2.c. of the rule.
- c. Applicant may enter into an enforceable written agreement whereby, for a period of ten years or until applicant shall be serving 55 customers in Unit No. 1, he will receive annual reimbursement from the developer, guaranteed by developer's stockholders, of any deficiencies between applicant's gross operating revenues and his reasonable operating and maintenance expenses (to be clearly defined in the agreement) as a result of rendering service to the area certificated herein.
- d. Applicant and the developer may enter into a main extension contract or contracts which differs from applicant's filed contract forms to the extent necessary to effect deviations a, b, and c of this paragraph.

6. Within thirty days after entering into the expense reimbursement agreement and main extension contract authorized herein, applicant shall file herein a true copy of the agreement and contract and shall file with this Commission a summary list of contracts and deviations showing said agreement and said contract. The latter filing shall comply with General Order No. 96-A.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 8th day of June, 1965.

Frederick B. Holshoff
President

George T. Grover

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Commissioners