

ORIGINAL

Decision No. 20863

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION)
OF EBB HUGGINS FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY)
AND TO ESTABLISH RATES TO CONSTRUCT)
A PUBLIC UTILITY WATER SYSTEM NEAR)
ORLAND IN GLENN COUNTY AND TO ESTABLISH)
RATES FOR SERVICE.)

Application No. 48235
(Filed February 8, 1966)
(Amended April 4, 1966)

OPINION AND ORDER

By this application, Ebb Huggins and Helen M. Huggins (Black Butte Water Co.) seek a certificate of public convenience and necessity to construct and operate a public utility water system near Orland, Glenn County.

The first subdivision in which the water facilities will be located contains approximately 11.3 acres divided into 30 lots, one of which is retained by applicants for a well, pump and tank. This subdivision is urban residential in character and lots varying in size from 12,000 to 17,000 square feet are to be sold with homes constructed thereon. Applicants own a total of 47 acres in the area, which they intend to develop, with a future possibility of 100 homes and some businesses requiring water service.

Water from applicants' well, drilled to a depth of 287 feet and pumped by a 50-hp pump, is delivered through a 5,000-gallon pressure tank to approximately 1680 feet of 6-inch mains to one-inch service connections to each lot. The water facilities appear to meet the requirements of this Commission's General Order No. 103 and applicants allege that provision for an auxiliary gasoline-operated pump has been made should electric power failure interrupt normal pump usage.

Applicants state that the water system meets the requirements of both the Glenn County and State Departments of Public Health. A temporary water supply permit has been issued by the former. No county franchise is required. The nearest public source of water is more than a mile distant from applicants' system.

The cost of applicants' initial water system is estimated by applicants as \$20,434. Such estimate includes land at a "market value" of \$2,500 and legal expense of \$300. In this connection, applicants are placed on notice that in proceedings involving a determination of the reasonableness of water rates and the setting of a rate base, actual cost (rather than market value) is the criterion adhered to by this Commission.

Applicants propose a service-charge type of rate schedule, wherein a service charge of \$2.40 per month and a quantity rate of 17 cents per 100 cubic feet of water delivered would constitute the customer's bill. Such rate would produce an estimated annual revenue of \$2,088 for the initial system. Operating expenses are estimated by applicants to be \$1,599 annually, thus leaving a net revenue of \$499.

The Commission is informed that several homes have been constructed and that their occupancy awaits only the issuance of the certificate which applicants seek from this Commission. The Commission finds that public hearing in this matter is not necessary and that because of the persons awaiting occupancy of their homes, the order herein should be made effective at once. The Commission further finds that public convenience and necessity require and will require the public utility water system of applicants and concludes that a certificate should be issued as prayed for.

The certificate hereinafter issued is 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."

IT IS ORDERED as follows:

1. A certificate of public convenience and necessity be and it is hereby issued to Ebb Huggins and Helen M. Huggins (Black Butte Water Co.) to construct and operate a public utility water system in and adjacent to Black Butte Estates Subdivision No. 1 as said subdivision is delineated on Exhibit "B" attached to the application herein.

2. Applicants are authorized to file with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, a complete set of tariffs including the rate schedule attached to this order as Appendix A, a tariff service area map and rules governing customer relations acceptable to the Commission and, on not less than five days' notice to the public and to this Commission, to make said tariffs effective on the date on which public utility water service is first rendered. In this latter respect, applicants shall notify this Commission in writing of said date within five days thereafter.

3. Applicants shall determine accruals for depreciation by multiplying the original cost of depreciable utility plant by a rate of three percent. This rate shall be used until review indicates that it should be revised. Applicants shall (a) review the depreciation rate, using the straight-line remaining life method, whenever

major changes in depreciable utility plant occur and at intervals of not more than five years, (b) revise the depreciation rate in conformance with such reviews, and (c) upon completion of each review, submit promptly to this Commission the results thereof.

4. Within sixty days after the effective date of this order, applicants shall file two copies of a comprehensive map, drawn to an indicated scale of not more than 400 feet to the inch, delineating by appropriate markings (a) the tract of land and territory served, (b) the principal water supply, transmission, pressure, storage and distribution facilities, and (c) the location of applicants' various water system properties.

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

Dated at San Francisco, California, this 14th day of JUNE, 1966.

Fredrick B. Holdreiff
President

John S. Mitchell
August

William G. Bennett
Commissioners

I will file a concurring opinion.
George T. Grover

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Black Butte Estates Subdivision Unit No. 1 and vicinity, located approximately one mile northwesterly of Orland, Glenn County.

RATES

	<u>Per Meter Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter	\$2.40
Quantity Rates:	
For all water, per 100 cu.ft.17

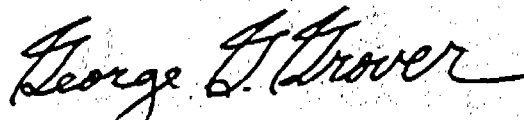
The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

CONCURRING OPINION OF COMMISSIONER GROVER

I concur in the opinion and order except as to the admonition concerning actual cost. (See the fifth paragraph of the opinion.)

The fundamental notion which underlies our so-called original cost approach is that the value of property at the time of its dedication to public service should be recognized for rate-making purposes. Where purchase and dedication are simultaneous, the probative value of the purchase price is usually overwhelming.* Hence the Commission's seeming preoccupation with "actual cost." It should be remembered, however, that actual cost is not the ultimate fact but only an evidentiary fact; the ultimate fact is value. Where the time of purchase and the time of dedication are different, the purchase price may not be very probative on the issue of value at the time of dedication. In such a case, a market value estimate may be more useful.

This is not a rate proceeding, and the rate treatment to be accorded the purchase price is therefore not being decided here. But the Commission has undertaken to issue a rate-making admonition, and it seems appropriate to offer what I believe that admonition really means.



George G. Grover, Commissioner

San Francisco, California

June 14, 1966:

* This is especially true as against a claim that the property was actually worth more than the utility paid. On the other hand, since the Commission, for rate purposes, customarily recognizes purchase price, a utility is often in the position of "spending" ratepayers' money, and the Commission may properly check to make sure that the price is not too high. I am not of course suggesting that the purchase price usually is too high; on the contrary, in an arm's length transaction, it is usually accepted.