

ORIGINAL

Decision No. 71890

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ARLIN D. JOHNSON,
Complainant,

vs.

JOHN S. CAVANAUGH and EVELYN
CAVANAUGH, his wife, dba
HILLVIEW WATER COMPANY,
Defendants.

Case No. 8518
(Filed August 31, 1966)

In the Matter of the Application
of ARLIN D. JOHNSON and
LAVERNE M. JOHNSON, his wife,
for a certificate of public
convenience and necessity to
construct and operate a public
utility water system in Sunny
Meadows Subdivision near
Watsonville, Santa Cruz County,
and to establish rates.

Application No. 48866
(Filed October 14, 1966)

L. Thomas Mehir, Jr., for Arlin D.
Johnson and Laverne M. Johnson,
applicants in Application
No. 48866, and complainant in
Case No. 8518.
John L. McCarthy, City Attorney,
for City of Watsonville, protestant
in Application No. 48866.
John S. Cavanaugh, for Hillview Water Co.,
Evelyn Cavanaugh, and himself,
defendants in Case No. 8518, and
interested parties in Application
No. 48866.
Henry J. Faitz, Assistant County
Counsel, for County of Santa Cruz,
interested party in Application
No. 48866 and Case No. 8518.
W. B. Stradley, for the Commission staff.

O P I N I O N

The complaint of Arlin D. Johnson to revoke the certificate of public convenience and necessity granted to John S. Cavanaugh and Evelyn Cavanaugh dba Hillview Water Company (collectively referred to as Cavanaugh) to operate a water system to serve Sunny Meadows Subdivision No. 1, Tract No. 433 Santa Cruz County was consolidated for hearing with the application of Arlin D. Johnson and Laverne M. Johnson (collectively referred to as Johnson) for a certificate of public convenience and necessity to operate said water system. Both matters were heard on a common record before Examiner Robert Barnett at Watsonville, California, on November 14, 1966, on which date they were submitted subject to the receipt of late-filed Exhibit No. 4, which has been docketed. Copies of the complaint, the application, and the notices of hearing were served and published in accordance with the Commission's procedural rules. The City of Watsonville (City) protests the granting of the application.

In May 1965 Cavanaugh was granted a certificate of public convenience and necessity to operate a water system located in Santa Cruz County on property described as Sunny Meadows Subdivision No. 1, Tract No. 433. (Decision No. 69032, dated May 11, 1965, in Application No. 47091.) The subdivision, including the water system, was developed and constructed by Johnson. When Cavanaugh obtained his certificate Johnson offered the system to Cavanaugh with the understanding that both parties would enter into a main extension agreement covering the system; this agreement was never executed. Because the main extension agreement was never executed Cavanaugh felt that he had no obligation to operate the

system and, except for a few minor activities, has not done so. Further, a staff witness testified that Cavanaugh has not complied with Ordering Paragraphs 3, 5, and 7 of Decision No. 69032. Cavanaugh has no objection to the Commission's revoking his certificate. He had originally demanded his out-of-pocket expenses before agreeing to the revocation but, when informed that the Commission has no jurisdiction to make such an award in this proceeding, he abandoned that claim.

Johnson requests a certificate of public convenience and necessity to operate the public utility water system that is the subject of the complaint case, if Cavanaugh's certificate is revoked. The City of Watsonville protests. A description of the area to be served, a description of the water system, and a resume of the City's position are set forth in Decision No. 69032 and will not be repeated herein.

Most of the customers on the system have complained about the poor quality of water being supplied. Johnson is aware of these complaints and feels that this poor quality can be improved by installing an additional filter system, which he will do. A standby pump is also needed. At present none of the services are metered; Johnson will install meters if required.

Johnson estimates the original cost of the water system devoted to public use (including the cost of the additional filter system and a standby pump) to be approximately \$21,000, as follows:

Organization	\$ 800
Land	900
Interest	<u>1,000</u>
Subtotal	\$2,700
Water Supply	
Well	\$3,212
Pumps	5,901
Tank	<u>969</u>
Subtotal	\$10,082
Distribution mains (2,000 feet)	\$ 5,100
Services (39)	877
Treatment Equipment & Misc.	2,200
Fire Hydrants	<u>106</u>
Subtotal	\$ 8,283
Total	\$21,065

Johnson will charge the rates set forth in his application. His estimate of revenues and expenses is:

Operating Revenues (40 customers)	\$ 2,328
Expenses, Depreciation, and Taxes	
Oper. and Maintenance Expense	1,245
Depreciation (2.4%)	440
Taxes	<u>340</u>
	\$ 2,025
Net Revenue	\$ 303
Rate Base	21,065
Return on Investment	1.4%

Johnson recognizes that his rate of return is very low but he testified that he is satisfied with it and will not seek a rate increase. It is his hope that he will be able to sell the system to the City.

The estimates of rate base, operating revenues, and expenses set forth above were not audited by the Commission staff, therefore, we make no finding as to their accuracy.

The City offered no evidence in support of its protest. However, statements by the City Attorney show that the City is interested in acquiring the water system, and Johnson testified

that he would like to sell it to the City. In the best interests of the consumers, the City and Johnson should arrange for a transfer of this water system to the City.

The Commission finds that:

1. Cavanaugh has not operated the water system known as Sunny Meadows Subdivision No. 1, Tract No. 433 pursuant to the certificate of public convenience and necessity granted to him in Decision No. 69032, dated May 11, 1965.
2. Cavanaugh has not complied with Ordering Paragraphs 3, 5, and 7 of Decision No. 69032.
3. Public convenience and necessity require that the application of Johnson be granted as set forth in the following order.
4. Johnson possesses the financial resources to operate the water system.
5. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.
6. The water system requires that an additional filter system and a standby pump be installed immediately.
7. Johnson's water supply and distribution facilities, when improved by the addition of a new filter system and standby pump, will provide reasonable service for the proposed certificated area and substantially meet the requirements of General Order No. 103.
8. Johnson has not yet procured a water supply permit from the public health authority having jurisdiction.

The Commission concludes that (1) in Case No. 8518 the certificate of public convenience and necessity granted to John S. Cavanaugh and Evelyn Cavanaugh dba Hillview Water Company in Decision No. 69032 should be revoked; (2) in Application No. 48866 a certificate of public convenience and necessity should be granted to Arlin D. Johnson and Laverne M. Johnson upon the conditions prescribed in the following order.

The action taken in Application No. 48866 is for the issuance of a certificate of public convenience and necessity only and is not to be considered as indicative of amounts to be included in proceedings for the purpose of determining just and reasonable rates.

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:

1a. The certificate of public convenience and necessity granted to John S. Cavanaugh and Evelyn Cavanaugh dba Hillview Water Company, in Decision No. 69032 in Application No. 47091 dated May 11, 1965, authorizing them to construct and operate a public utility water system to serve Sunny Meadows Subdivision No. 1, Tract No. 433, Santa Cruz County is revoked.

1b. John S. Cavanaugh and Evelyn Cavanaugh dba Hillview Water Company, within 30 days after the effective date of this order, shall file new tariff sheets canceling Hillview Tariff Sheet 73-W (tariff area map) and amending Rate Schedules Nos. 1 and 5 (Sheets 69-W and 70-W) and Preliminary Statement (Sheet 72-W) to delete references to the Sunny Meadows water system.

2. A certificate of public convenience and necessity is granted to applicants, Arlin D. Johnson and Laverne M. Johnson, authorizing them to operate a public utility water system to serve Sunny Meadows Subdivision No. 1, Tract No. 433, Santa Cruz County.

3. 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 are authorized to file the schedules of rates set forth in Appendix A to this order, together with tariff sheets, including a tariff service area map clearly indicating the boundaries of the area certificated herein, appropriate general rules, and copies of printed forms to be used in dealing with customers. Such filings shall comply with General Order No. 96-A.

4. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

5. Prior to the date service is first furnished to the public under the authority granted herein, applicants shall apply to the appropriate public health authority having jurisdiction for a water supply permit for the existing system and shall submit written notice thereof to this Commission.

6. Applicants shall install an additional filter system and a standby pump within 90 days after the effective date of this order.

7. 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 to this Commission.

8. Applicants shall prepare and keep current the system map required by Paragraph I.10.a. of General Order No. 103. Within 30 days after the water system is placed in operation under the authority granted herein, applicants shall file with this Commission two copies of such map.

9. For the year 1967, 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.

10. 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.

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

Dated at San Francisco, California, this 20th day of JANUARY, 1967.

Arthur E. Gotschall
President

William M. Bennett

Augustus

Harold P. M. Russey

Commissioners

Commissioner WILLIAM SYMONS, JR. did not participate in the disposition of this proceeding.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Sunny Meadows Subdivision No. 1, Tract No. 433, and vicinity,
Santa Cruz County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less	\$ 4.25
Next 1,000 cu.ft., per 100 cu.ft.....	.40
Next 2,500 cu.ft., per 100 cu.ft.30
Over 4,000 cu.ft., per 100 cu.ft.25
Minimum Charge:	
For 5/8 x 3/4-inch meter	4.25
For 3/4-inch meter	5.25
For 1-inch meter	7.50
For 1 1/2-inch meter	11.00
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.

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Sunny Meadows Subdivision No. 1, Tract No. 433, and vicinity,
Santa Cruz County.

RATES

	<u>Per Service Con- nection Per Month</u>
For a single-family residential unit, including premises not exceeding 9,000 sq.ft. in area	\$ 4.75
a. For each additional single-family residential unit on the same premises and served from the same service connection	2.25
b. For each 100 sq. ft. of premises in excess of 9,000 sq. ft.03

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classification will be furnished only on a metered basis.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Sunny Meadows Subdivision No. 1, Tract No. 433, and vicinity, Santa Cruz County.

RATE

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

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1, General Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.