

Decision No. 78384

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WILLIAM and DELIA HAY,)
dba POINT ARENA WATER WORKS, for a)
certificate of public convenience and)
necessity authorizing an extension of)
service to a noncontiguous area known)
as Whiskey Shoals subdivision, about)
two miles south of Point Arena, Mendo-)
cino County, and to establish rates)
for service.)

Application No. 51946
(Filed June 5, 1970)

William G. Fleckles, Attorney at Law, for
applicant.
Tedd F. Marvin, for the Commission staff.

O P I N I O N

Applicants' Request

William and Delia Hay, doing business as Point Arena Water Works, request a certificate of public convenience and necessity authorizing an extension of service to a noncontiguous area known as Whiskey Shoals Subdivision, about two miles south of the City of Point Arena, Mendocino County.

Management and Affiliations

Whiskey Shoals Subdivision is being developed by H - H Partnership, a partnership of Richard Holm and William Hay, Jr. The partners are engaged in sheep ranching and also hold substantial additional lands in the immediate vicinity of the proposed development. William Hay, Jr., also manages the Point Arena Water Works, which his parents, William and Delia Hay, own.

Proposed Service Area

The proposed service area occupies a strip of land approximately 800 feet by 6,000 feet, lying between State Highway No. 1

and the Pacific Ocean. The tract covers 92 acres and is subdivided into 82 lots ranging in size from 1/3 acre to 1-1/3 acres, with an average size of 3/4 acre. The developers have no present plans for expanding the service area although their land holdings adjoining the proposed service area may be subdivided at some future date. A map of the subdivision is attached to the application as Exhibit 1, and the location of the subdivision in relationship to the City of Point Arena is shown in Exhibit 2. A tentative subdivision map has been approved by the County of Mendocino.

Public hearing was held in San Francisco before Examiner Gillanders on January 19, 1971 and the matter submitted.

Testimony on behalf of applicants was presented by their manager.

Testimony on behalf of the Commission staff was presented by an engineer.

Water Supply

Applicants have equipped two producing wells--Well No. 1 and Well No. 2. According to applicants, Well No. 1 (to be used as stand-by) produced 26 gallons per minute and Well No. 2 produced 18-20 gallons per minute after a seven-day test.

The staff engineer testified that in his opinion the methods used by and in behalf of applicants in testing the wells were "insufficient to determine the safe yield of applicants' proposed wells."

Based on the evidence it appears that applicants' water supply will be adequate.

No quality tests have been made of the water from the wells.

An application for a water supply permit has been filed with the Mendocino County Health Department.

Distribution System and Services

The distribution system is shown on Exhibit 1. The system will consist of 6,900 feet of 6-inch Class 150 asbestos-cement pipe. Services will be 1-inch copper, providing two 3/4-inch taps to adjoining lots. Pressures, with booster facilities, are to range between 40 and 70 psi. The system includes 13 wharf-type fire hydrants.

Rates

Applicants propose to provide service on a meter basis only and at the same rates as for their service in the City of Point Arena. The following tabulation compares the billing for different quantities of monthly sales of nearby utilities with applicants' rates:

Cu. Ft. Per Month	Representative Charges at Meter Rates		
	<u>North Gualala Water Works</u>	<u>Sea Ranch Gas and Water Co.</u>	<u>Point Arena Water Works</u>
400	\$ 5.00	\$ 6.00	\$ 5.60
800	7.40	9.00	9.32
1,000	9.00	10.00	11.18
1,500	13.00	12.50	14.18
2,000	16.00	15.00	17.18
3,000	22.00	20.00	23.18

Economic Feasibility

Applicants' estimated operating results are shown on page 5 of the application. The operating results show eight customers and a loss of \$2,209 at the end of the fifth year of operation, and 20 customers and a loss of \$1,617 at the end of the tenth year.

Financing

Applicants propose to enter into a standard form main extension contract with the developers to finance both intract and backup facilities.

Findings of Fact

The Commission finds that:

1. Applicants have established that they have an adequate supply of water to service the ultimate development of the proposed subdivision.

2. The proposed operation will not be economically feasible for at least 10 years. It should not be permitted to burden customers in the utility's existing service area.

Conclusion of Law

The Commission concludes that a certificate should be issued subject to the conditions laid down in the order which follows.

The certificate of public convenience and necessity which will issue herein 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.

The action taken herein 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.

Applicants are placed on notice that they may not expect ratepayers to provide compensatory earnings during the formative years of this subdivision.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to William and Delia Hay, doing business as Point Arena Water Works,

authorizing them to construct a public utility water system to serve Whiskey Shoals Subdivision, as shown on Exhibit 1.

2. Applicants are authorized to apply their presently filed rates and tariff rules in the area herein certificated.

3. Applicants are authorized to file after the effective date of this order a tariff service area map clearly indicating the boundaries of the area herein authorized. Such filing shall comply with General Order No. 96-A and shall become effective on the fourth day after the date of filing.

4. Upon filing with this Commission a copy of a water supply permit from the Mendocino County Health Department, applicants are authorized to commence supplying water service to purchasers of lots within the Whiskey Shoals Subdivision.

5. Within ten days after the date service is first rendered to the public within the tariff area herein authorized, applicants shall submit written notice thereof to this Commission.

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

7. Applicants are authorized to deviate from their filed main extension rule to finance water production and storage facilities under the 22 percent refund provisions of the rule.

8. Applicants shall execute an agreement with the developers which provides that the developers agree to convey the main extension contract for the financing of facilities authorized herein, to the utility to be held as an investment with refunds being credited to applicants' proprietary capital as they become due.

9. Applicants shall not extend or offer to extend facilities constructed to serve the area certificated herein without further authorization of this Commission.

10.a. Applicants shall enter into a loss reimbursement agreement in a form acceptable to the Commission which requires the developers to deposit in a separate, interest-bearing account in a bank or savings and loan association in California \$100 per lot upon the sale or transfer by them of any lot within the Whiskey Shoals Subdivision. Such funds, together with interest thereon, shall be used only for paying the following costs of the Whiskey Shoals Subdivision and only to the extent that water service revenues from this subdivision are less than expenses of this subdivision: ✓

1. Out-of-pocket (cash) expenses properly chargeable to the below listed accounts in the Uniform System of Accounts for Class D Water Utilities prescribed by Decision No. 69950 dated November 16, 1965:
 - a. A/C 726 - Power
 - b. A/C 734 - Operation and Maintenance--
Employee Labor
 - c. A/C 735 - Operation and Maintenance--
Materials
 - d. A/C 736 - Operation and Maintenance--
Contract Work
 - e. A/C 791.2 - Management Salaries, except that charges to this account shall not exceed \$50 per month
 - f. A/C 801 - Vehicle Expense, except that charges to this account shall not exceed \$30 per month
 - g. A/C 507.1 - Property Taxes
2. Replacement or improvement of plant facilities in Whiskey Shoals Subdivision, provided that such expenditures have first been authorized by a letter from the Secretary of this Commission.

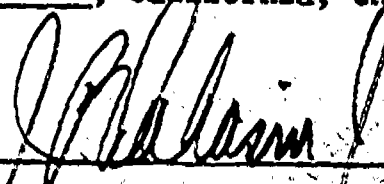
b. Upon the 15th anniversary of the initial deposit, providing that water service revenues from the Whiskey Shoals Subdivision for the immediately preceding calendar year have exceeded by 20% the total water system expenses of the Whiskey Shoals Subdivision, any amount remaining in the loss reimbursement fund not utilized shall be re-funded to the developers or paid to their designees.


c. Applicants shall furnish the developers by March 31 of each year an accounting of all additions to and disbursements from the fund during the prior calendar year. A copy shall be concurrently filed with this Commission, attention Finance and Accounts Division.


11. The authorization granted shall expire if not exercised within two years from the effective date hereof.


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

Dated at San Francisco, California, this 2nd day of MARCH, 1971.



Chairman






Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.