

Decision No. 80807

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of GREAT OAKS WATER CO.,
a California corporation, for a
Certificate of Public Convenience
and Necessity under Section 1001 of
the Public Utilities Code.

Application No. 53471
(Filed July 21, 1972;
Amended August 14, 1972)

O P I N I O N

Great Oaks Water Co. (Great Oaks) requests a certificate of public convenience and necessity to construct and operate a public utility water system to serve a 22-acre area adjacent to Scheller Avenue, located between the community of Coyote and the City of Morgan Hill, Santa Clara County, as shown on Exhibit A attached to the application.

A report on the proposed system, prepared by the Commission staff, has been made part of the record as Exhibit 1.

History and Present Operations

Applicant is presently operating as a public utility water company pursuant to authority granted by this Commission in its Decision No. 59173, dated October 20, 1959, in Application No. 41363.

The present service area is located in the southeast portion of the City of San Jose and in adjacent unincorporated areas of Santa Clara County. According to its annual report as of December 31, 1971, Great Oaks had 8,699 active services.

Proposed Service Area

The proposed system would serve 22 acres, located approximately $3\frac{1}{2}$ miles southeast of the present service area. It is planned to subdivide the area into 19 lots. The lots will average slightly over one acre and will be sold with homes already constructed. The utility expects further growth in the adjoining area and anticipates that the Scheller Avenue system will connect with the present system within five years.

The terrain of the proposed service area is generally flat, varying between 280 and 290 feet above sea level. The nearest existing water system in the vicinity of the subdivision is that of the City of Morgan Hill. The City, when contacted by the staff, indicated that it had no interest in serving the proposed subdivision.

Water Utility Plant

An agricultural well with a capacity of from 300 to 400 gallons per minute is located within the subdivision and is proposed as the source of supply. The subdivider will increase the well's capacity to approximately 2,000 gallons per minute and modify it to meet the standards of the State Department of Public Health. The water from the well has been analyzed and found to be of good quality.

The distribution system is planned to consist of 3,635 feet of 4-inch, 8-inch, and 10-inch asbestos cement pipe. The water supply, facilities, and working pressures would meet the requirements of General Order No. 103.

Community and Environmental Considerations

The area in which the proposed water system would be constructed is presently rural in nature. There are no recreational or park areas, historical landmarks, or other works of historical or aesthetic value either within the proposed 22-acre service area or within the vicinity of said area. The staff could not discern any detrimental effect on recreation and park areas, historical or aesthetic values, or influence on the environment in the vicinity of said area.

Management and Operation

The president of the Great Oaks Water Company, Mrs. Betty B. Roeder, will manage the system, which will be operated by the present eight employees of Great Oaks. In the opinion of the Commission staff, Mrs. Roeder and her organization are competent and adequate to operate the proposed system.

Rates and Tariffs

Applicant proposes to apply its presently filed tariffs to the proposed system. Since the Scheller Avenue system would be operated in conjunction with Great Oaks' existing service area, this proposal appears to be reasonable.

Franchise

Although the application states that Great Oaks has applied for all necessary permits and franchises, Great Oaks has not applied to the Commission for authority, pursuant to Section No. 1003, for an order preliminary to the issue of a certificate of public convenience and necessity to exercise the franchise. Should a franchise for this subdivision be obtained, application to the Commission for authorization of its exercise should be made.

Financial Arrangements

The estimated costs of the proposed system are shown in the following tabulation:

Well	\$11,656
Pumping Equipment	10,450
Mains and Services	18,889
Meters	<u>1,140</u>
	\$42,135

The well would be accounted for as a contribution in aid of construction, mains and services would be financed by a refundable main extension advance pursuant to the utility's Rule No. 15. Pumping equipment and meters would be paid for by the utility.

Estimated revenues and expenses are as follows:

Annual revenues from 19 customers	\$3,800.00
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Annual Expenses

Source of Supply and Pumping	\$1,200.00
Transmission and Distribution	400.00
Customer Account Expense	456.00
Administrative and General	456.00
Depreciation	1,265.00
Taxes	<u>1,050.00</u>
Total Operating Costs	\$4,827.00
Estimated Annual Loss	(1,027.00)

Revenues of \$3,800 from the anticipated 19 customers would require average monthly bills of \$16.67 per month, which estimate may prove to be overly optimistic, even for one-acre lots.

Although the Scheller Avenue system would be operating at a loss, the overall earnings of the utility would not be significantly affected and no loss reimbursement fund appears to be required.

Section A.2.b. of the utility's Rule No. 15 provides that whenever the outstanding contract balances plus the advance on a proposed new extension would exceed 50 percent of total capital, the utility shall not make the proposed new extension without authorization of the Commission.

According to the staff, as of June 30, 1972, Great Oaks recorded ratio of advances for construction to total capital was 66.6 percent. Deducting \$528,407 in advance contracts held by Mrs. Roeder, as Trustee of Roeder Family Trust, the advance ratio was 48.7 percent. On a pro forma basis, as of June 30, 1972, reflecting both \$349,038 of prior approved advances and the \$18,889 proposed herein, the advance ratio would be 70.4 percent. When advances held by Mrs. Roeder, as Trustee, are deducted the ratio drops to 54.4 percent.

The staff believes that Great Oaks has demonstrated its ability to meet its current obligations. The staff also believes the financial position of Great Oaks to be sound. In a letter of October 31, 1972, the attorney for the utility has stated that should cash for refund payments not be available, Mrs. Roeder, as Trustee, will forego payments due on the contracts held by the trust.

In order to maintain the ability of Great Oaks to continue refunds on advances held by parties not affiliated with the water system the order herein will provide that Great Oaks shall not exercise the authority granted herein until Betty B. Roeder, as Trustee for the Roeder Family Trust, has filed with this Commission a written statement that (1) she will not assign or otherwise dispose of any of the advance contracts now held by the trust

without specific authorization of this Commission, and (2) that a copy of said statement has been attached to and made a part of each of said contracts.

Findings and Conclusions

We find that:

1. Public convenience and necessity require the construction of the proposed water system to serve the Scheller Avenue area in Santa Clara County.
2. The available water supply is of adequate quality and quantity to serve the proposed water system.
3. Applicant's proposed facilities will meet the requirements of General Order No. 103.
4. The application of applicant's present rates for water service in the Scheller Avenue service area is reasonable.
5. Applicant has the financial ability to serve the Scheller Avenue area.
6. Applicant's proposed financing of this extension will not have a significant detrimental effect on the utility's operations.
7. The construction and operation of the proposed water system will have no detrimental effect on community values, recreation and park areas, historical and aesthetic values, or the environment.
8. A public hearing is not necessary.

We conclude that the application should be granted to the extent and under the conditions set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Great Oaks Water Co. authorizing it to construct a public utility water system to serve the Scheller Avenue area in the County of Santa Clara as delineated on the map, Exhibit A, attached to the application herein.

2. Applicant is authorized to deviate from Section A.2.b., Limitation of Expansion, of its filed main extension rule by extending service to the Scheiler Avenue area.

3. After the effective date of this order, applicant may file revised tariff sheets including a revised tariff service area map to provide for the application of its present tariff schedules to the area certificated herein. The filing shall comply with General Order No. 96-A, and the revised tariff sheets shall become effective on the fourth day after the date of filing.

4. The authority granted in paragraphs 1, 2 and 3 of this order shall not be exercised until Betty B. Roeder has filed the statement described in the above opinion.

5. The authority granted in paragraphs 1, 2 and 3 of this order shall not be exercised until applicant shall have filed with the Commission a list of all advances for construction held by Betty B. Roeder.

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

7. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within thirty days after the water system is placed in operation under the authority granted herein, applicant shall file with the Commission two copies of such map.

8. 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 to this Commission.

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

Dated at San Francisco, California, this 12th
day of DECEMBER, 1972.

Vernon L. Stinger
President
William J. ...
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Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.