

Decision 82-04-052 APR 20 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Palo Mesa Water Company for a certificate of public convenience and necessity to construct and extend a public utility water system to tract numbers 49, 151, 658, 666, 743, 760, 841, and 922, San Luis Obispo County, and to establish rates for service.

Application 60651 (Filed June 12, 1981)

Robert D. Holmes, Jr., for Palo Mesa Water Company, applicant.
Jasjit S. Sekhon, for the Commission staff.

OPINION

This is an application by Palo Mesa Water Company (Palo Mesa) which seeks authority to extend its public utility water system.

A duly noticed public hearing was held in this matter before Administrative Law Judge Donald B. Jarvis in Arroyo Grande on December 2, 1981, and it was submitted on that date.

Facts Palo Mesa is a public utility water system in San Luis Obispo County which is authorized to serve Tracts 151, 658, 666, and 743. In this application it seeks authority to serve Tracts 49, 760, 841, 922, and the Cone and Cool Properties. Palo Mesa presently serves 46 customers.

Palo Mesa seeks authority to serve the following additional areas with the indicated customer projections:

<u>Tract No.</u>	<u>Area</u>	<u>Customers</u>
49	68 Acres	36
760	9 "	8
841	34 "	20
922	330 "	250
Cone Property	20	20
Cool Property	-	347

Palo Mesa proposes to operate two separate and independent distribution systems. One system would serve Tracts 49, 922, and the Cool Property. The other system would serve the existing service area plus Tracts 760, 841, and the Cone Property. Palo Mesa proposes to apply its present rates for metered service in the new areas.

Palo Mesa is a partnership. The partners are Robert D. Holmes, Jr. and Addison B. Wood, dba Pacific Improvements, Inc. Pacific Improvements is the developer of Tracts 49 and 658.

Material Issue

Do public convenience and necessity require that the requested authority be granted?

Discussion

There is no other water purveyor near Palo Mesa's service area except two small mutual water systems. La Mesa Water Company and "Nunes Project" serve 6 and 13 customers respectively. These water systems are located in Palo Mesa's existing service area. These two water systems have unreliable sources of water supply. At the request of the San Luis Obispo County Health Department Palo Mesa installed emergency standby mains to these systems. At the hearing a deputy health officer testified that the Health Department strongly supported the application. He indicated that Palo Mesa had worked to improve the quality of its water. He also stated that development of the proposed new water sources would further improve water quality and provide more water for fire protection.

Palo Mesa's source of water supply is from a single well. It is equipped with a 30-horsepower electrically driven turbine pump designed to deliver approximately 220 gpm to an adjacent 85,000-gallon storage tank. A 20-horsepower booster pumps water from the storage tank to the distribution system through a 25,000-gallon hydropneumatic tank.

Section VIII.5 of General Order (GO) 103 requires not less than two independent sources of supply for each separately operated water system. Authorization to extend the existing water system to the proposed additional service area will be conditioned on Palo Mesa's filing with the Commission pump test data for at least two wells, showing a combined minimum pumping capacity of 350 gallons per minute (gpm). This will also enable Palo Mesa to provide a 750 gpm fire flow requirement, for a period of at least two hours. The pump test results should also show static and pumping levels, discharge pressures, and pump efficiencies.

The proposed new, separate water system, which encompasses Tracts 49, 922, and the Cool Property is located one-half mile north of the existing service area. The area varies in elevations from approximately 200 feet to approximately 300 feet. The source of water supply to the area will be from a well capable of producing approximately 165 gpm. The water from this well will be pumped into two tanks each having the storage capacity of 185,000 gallons. The tanks will be located at elevations of 280 and 320 feet. They will feed the water system by gravity.

As indicated, GO 103 requires at least two independent sources of water supply for each separately operated water system. Prior to rendering service to the public in this area, Palo Mesa will be required to file with the Commission pump test data for at least two wells showing a combined minimum capacity of 300 gpm.

to supply this area. In addition to the output rate, the test results should show static and pumping levels, discharge pressures, and pump efficiencies.

Palo Mesa proposes to finance the cost of the additional meters for the new service areas which is estimated to be \$15,320.

In the application, as filed, Palo Mesa proposes to finance the cost of in-tract and special facilities, excluding meters and fire hydrants, estimated to be \$892,144, under its main extension rule. An additional estimated \$51,850 would be contributed to Palo Mesa.

Palo Mesa modified its request at the hearing. It indicated that the developers of all tracts, except Tract 666, have agreed to contribute the water systems in these tracts. Palo Mesa seeks authority to accept these contributions of \$800,124, which do not include amounts for additional sources of water supply from the developer of Tracts 49, 760, 841, Cool Property, and Cone Property. In view of the overall benefit to the area the Commission will authorize Palo Mesa to deviate from its main extension rule and accept the contributions.

A Hydraulic Branch staff engineer testified that he estimated Palo Mesa would have an operating cash drain for five years before revenues would be sufficient to cover operating costs. A tabulation of his estimate is as follows:

Year	No. of Lots Sold	No. of Customers	Revenue	Expenses	Cash Drain
1st	83	65	\$14,520	\$34,840	\$ 20,320
2nd	88	128	30,600	50,510	19,910
3rd	92	216	53,050	65,680	12,630
4th	103	310	77,040	85,160	8,120
5th	0	385	96,180	101,200	5,020
6th	0	410	102,560	101,200	(1,260)

The staff engineer estimated the total deficiency to be \$66,000; \$180 for each of the 366 lots to be added to the system. He recommended that a loss-reimbursement fund be provided by the subdividers. Palo Mesa did not object to this recommendation.

The staff engineer also recommended that in order to eliminate possible future problems involving maintenance and/or replacement of utility plant, there should be recorded easements or transfers of title to the land used as sites for Palo Mesa's operative plant and easements for its transmission and distribution lines. The Commission is of the opinion that this recommendation should be adopted.

The record indicates that Palo Mesa has conducted its operations by fully cooperating with the County Health Department. If the requested authority is granted public utility water service will be expanded in the area, the quality of the water purveyed will be improved, and there will be better fire protection. If the area continues to grow, Palo Mesa may also be in a position to supplant some of the troubled mutuals. The application should be granted. No other points require discussion.

Findings of Fact

1. Palo Mesa is a public utility water corporation as defined in Public Utilities (PU) Code § 241. Palo Mesa's service area is located in San Luis Obispo County. It is presently authorized to serve Tracts 151, 658, 666, and 743. Palo Mesa presently serves 46 customers.

2. Palo Mesa seeks authority to serve Tracts 49, 760, 841, 922, and the Cone and Cool Properties. The following is a reasonable projection of the number of customers to be served if the requested authority is granted:

Tract No.	Area	Customers
49	68 Acres	36
760	9 "	8
841	34 "	30
922	330 "	250
Cone Property	20 "	20
Cool Property		3
		347

3. Palo Mesa proposes to operate two separate and independent distribution systems. One system would serve Tracts 49, 922, and the Cool Property. The other system would serve the existing service area plus Tracts 760, 841, and the Cone Property. Palo Mesa proposes to apply its present rates for metered service in the new areas.

4. Palo Mesa is a partnership. The partners are Robert D. Holmes, Jr. and Addison B. Wood, dba Pacific Improvements, Inc. Pacific Improvements is the developer of Tracts 49 and 658.

5. There is no other water purveyor near Palo Mesa's service area except two small mutual water systems. La Mesa Water Company and "Nunes Project" serve 6 and 13 customers, respectively. These two water systems have unreliable sources of water supply. At the request of the San Luis Obispo County Health Department, Palo Mesa installed emergency standby mains to these systems.

6. Palo Mesa's source of water supply is from a single well. It is equipped with a 30-horsepower electrically driven turbine pump designed to deliver approximately 200 gpm to an adjacent 85,000-gallon storage tank. A 20-horsepower booster pumps water from the storage tank to the distribution system through a 25,000-gallon hydropneumatic tank.

7. Section VIII.5 of GO 103 requires not less than two independent sources of supply for each separately operated water system.

8. It is reasonable to require that authority to extend the existing water system be conditioned on Palo Mesa's filing with the Commission pump test data for at least two wells, showing a combined minimum pumping capacity of 350 gpm. This will also enable Palo Mesa to provide a 750 gpm fire flow requirement, for a period of at least two hours. The pump test results should also show static and pumping levels, discharge pressures, and pump efficiencies.

9. The proposed new, separate water system, which encompasses Tracts 49, 922, and the Cool Property is located one-half mile north of the existing service area. The area varies in elevation from approximately 200 feet to approximately 300 feet. The source of water supply in the area will be from a well capable of producing approximately 165 gpm. The water from this well will be pumped into two tanks, each having the storage capacity of 185,000 gallons. The tank will be located at elevations of 280 and 320 feet. They will feed the water system by gravity.

10. It is reasonable to require that authority to operate the new, separate water system be conditioned on Palo Mesa's filing with the Commission pump test data for at least two wells showing a combined minimum capacity of 300 gpm to supply this area. In addition to the output rate, the test results should show static and pumping levels, discharge pressures, and pump efficiencies.

11. Palo Mesa proposes to finance the cost of the additional meters for the new service areas which is estimated to be \$15,320.

12. The developers of all tracts, except Tract 666, have agreed to contribute the water systems in these tracts. The amount of these contributions is \$800,124 which does not include amounts for additional sources of water supply. It is reasonable to grant Palo Mesa a deviation from its main extension rule to accept these contributions.

13. The following estimates of operating cash drain for the next six years, if the application is granted, are reasonable.

Year	No. of Lots Sold	No. of Customers	Revenue	Expenses	Operating Cash Drain
1st	83	65	\$ 14,520	\$ 34,840	\$ 20,320
2nd	188	128	30,600	50,510	19,910
3rd	192	216	53,050	65,680	12,630
4th	103	310	77,040	85,160	8,120
5th	0	385	96,180	107,200	11,020
6th	0	410	102,560	101,300	(1,260)

14. The operating deficiency for the first five years will be \$66,000, which amounts to \$180 for each of the 366 lots to be added to the system. It is reasonable to require the establishment of a loss-reimbursement fund which will require the subdividers to pay \$180 per lot before service is furnished to the subdivision.

15. It is reasonable to require Palo Mesa to record easements or transfers of title to the land used for its operative plant and easements for its transmission and distribution lines.

16. Public convenience and necessity require that the application be granted.

17. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Conclusion of Law

The application should be granted, subject to the following conditions.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Robert D. Holmes, Jr. and Addison B. Wood, doing business as Palo Mesa Water Company, authorizing them to construct and operate a public utility water system for the distribution and sale of water within the area described in Appendix A.

2. Prior to the time any service is furnished to the public under the authority granted, applicants shall:

- a. File with the Commission pump test data for at least two wells in the existing service area as extended, showing a combined minimum pumping capacity of 350 gpm. The pump test results shall show static and pumping levels, discharge pressures, and pump efficiencies.
- b. File with the Commission pump test data for at least two wells in the new service area encompassing Tracts 49, 922, and the Cool Property, showing a combined minimum pumping capacity of 300 gpm. The pump test results shall show static and pumping levels, discharge pressures, and pump efficiencies.

3. Applicants are granted a deviation from their main extension rule and are authorized to accept \$800,124 as contributions from the developers of all tracts, except Tract 666.

4. Applicants shall establish a loss reimbursement account. Before service is provided to any new subdivision in the authorized area, applicants shall collect from the subdivider the sum of \$180 per lot. The money shall be placed in the loss-reimbursement account and be used to cover anticipated operating losses.

5. Applicants shall record easements or transfers of title to the land used for their operative plant and for the transmission and distribution lines.

6. Applicants are authorized to file revised tariff sheets, including a tariff service area map, to provide for the application of their present tariff schedules to the additional areas which they are authorized to serve.

7. Applicants shall notify the Commission in writing within 10 days after the date service is first furnished to the public under any of the authority granted.

Under the authority granted, beginning with the date of this order, the public shall be provided with the same service as furnished to the public under the authority granted, beginning with the date of this order.

8. Applicants shall prepare and keep current the system map required by paragraph 10(a) of GO 103. Within 30 days after the water system, including the connecting transmission main, is placed in operation under the authority granted, applicants shall file two copies of such map with the Hydraulic Branch of the Commission.

9. The certificate granted and the authority to render service under the rates and rules authorized shall expire if not exercised within two years after the effective date of this order. This order becomes effective 30 days from today.

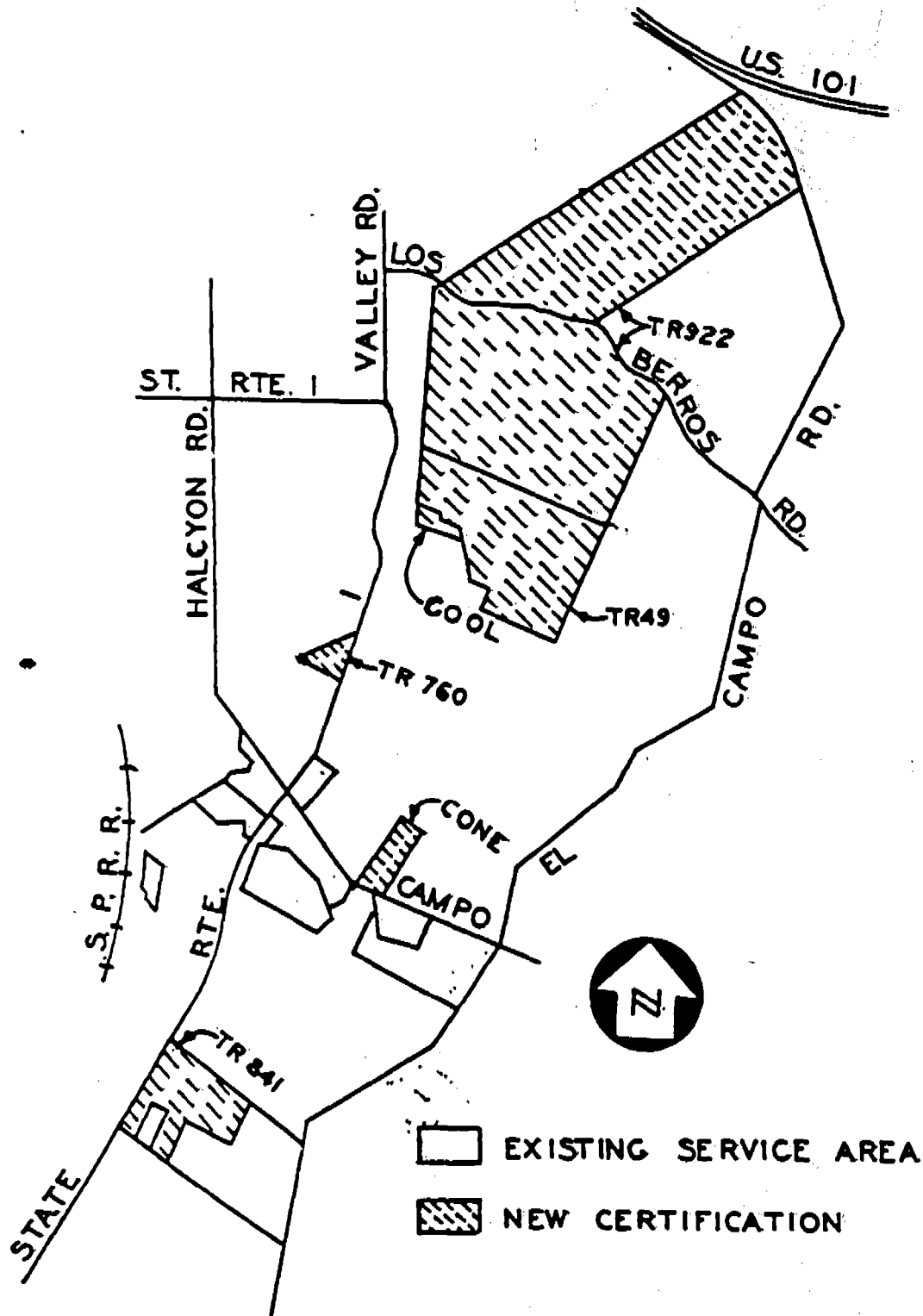
Dated APR 21 1982 at San Francisco, California.

JOHN E. RYSON
RICHARD D. GRAVELLE
LEONARD M. CRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Joseph E. Bodovitz
Joseph E. Bodovitz, Executive Director

PALO MESA WATER COMPANY



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