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Decision No. 87610 JUL 19 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of ALISAL WATER CORPORATION, a California corporation, for permission to acquire water plant facilities and service area known as San Jerardo Cooperative, Inc. in the County of Monterey, and to establish rates for service.

Application No. 57342
(Filed May 25, 1977)

O P I N I O N

Alisal Water Corporation (Alisal) requests authorization to acquire the water plant facilities of and furnish water service to San Jerardo Cooperative, Inc. (San Jerardo). San Jerardo has purchased a World War II prisoner-of-war camp, located approximately 4.5 miles southeast of Alisal's present service area in Salinas; and plans to reconstruct about 60 family dwellings for farm labor families. San Jerardo has requested that Alisal furnish water service to the community.

Present Operations

Alisal and its predecessor, Adcock Water Company, has furnished water service in Salinas and vicinity since about 1930. A certificate of public convenience and necessity was granted by this Commission in Decision No. 27608, dated December 22, 1934, in Application No. 19616.

The present service area is located in the easterly portion of the City of Salinas and in adjacent unincorporated territory. According to the annual report as of December 31, 1976, Alisal had 3,150 active services.

Proposed Service Area

The proposed service area is located approximately 4.5 miles southeast of Alisal's present service area. The community will consist of triplexes, duplexes and single residences, ranging in size from two-bedroom to four-bedroom, situated on a 32.6-acre parcel. The approximately 60 residential units would be individually metered with an additionally planned six meters to serve the clubhouse and common areas.

There are presently three families living in older residences in the former camp. One duplex has been reconstructed as a model and is unoccupied.

The reconstruction and development of the community is being funded by a Farmers Home Administration Loan. On April 29, 1977, San Jerardo's preapplication was accepted and given preliminary approval for a \$1.4 million loan. There are no known plans for further residential growth in the adjoining area. However, Alisal anticipates that there will be future residential development in the general vicinity of the San Jerardo community.

California Water Service Company, when contacted by the staff, indicated that it had no interest in serving San Jerardo.

Water Utility Plant

The existing water supply system consists of a 118 gpm well, two 5,000-gallon pressure tanks and an 11,000-gallon elevated redwood storage tank. There is a second well in the community that is not presently in use. There is no electrical power at the second well, and there is no available data on past or potential well production. The redwood tank would be torn down.

Applicant intends to rehabilitate the second well, install three 25,000-gallon storage tanks, install standby power equipment and replace most of the existing distribution system. Alisal plans to install a telemetering system that will be connected to their office in Salinas.

The proposed new distribution system will consist of 4-inch, 6-inch and 8-inch class 150 Asbestos cement pipe. The existing wharf-type hydrants will be replaced with standard hydrants.

The system will be operated in the following manner: The wells will pump directly into the surface storage tanks; the supply will then be taken from the storage tanks and boosted to system operating pressures through hydropneumatic tanks. Applicant did not provide data on proposed operating pressures.

Water Supply and Requirements

Alisal submitted a Water Supply Supplemental Questionnaire, with explanatory letter on May 24, 1977, for staff review. Based on data submitted in the questionnaire, we can make the following findings concerning the water system:

1. The present water supply is marginal since the maximum daily domestic demand equals the maximum daily supply.
2. The present system does not meet fire flow requirements.
3. The additional storage and rehabilitation of the second well will provide a sufficient supply to meet the maximum daily domestic demand.
4. There is insufficient data on the second well to make a finding on the capabilities of the system to meet fire flow requirements after the proposed plant improvements are installed.

Community and Environmental Considerations

The area in which the San Jerardo community is located is presently rural in nature. 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.

Representatives for San Jerardo informed the staff that other government agencies have studied the environmental impact of the proposed community and have determined that there will be no detrimental effect.

Management and Operation

The general manager of Alisal will manage the system, which will be operated by the present employees of Alisal. Alisal is an established utility and is competent and adequate to operate the San Jerardo water system.

Water Supply Permit

Alisal does not have a water supply permit from Monterey County to operate the San Jerardo system, but Alisal has applied for the permit.

Financial Arrangements

The estimated costs of the San Jerardo system are shown on the following tabulation:

<u>Item</u>	<u>Amount</u>
Contributions in Aid of Construction	\$ 76,066
Advances for Construction	30,816
Paid by Utility	<u>3,970</u>
Total	110,852

The existing wells, pumps, tank and associated equipment, the proposed reconstruction of these facilities and the proposed storage tanks would be received as a contribution in aid of construction. The water mains, services and fire hydrants will be financed by a refundable main extension contract in accordance with the utility's filed tariffs including Rule No. 15. The meters and proposed telemetering equipment would be paid for by the utility.

The information submitted in the Water Supply Supplemental Questionnaire shows that the ratio of outstanding advance contract balances to total capital, including the San Jerardo system, is 42%.

The following information on estimated revenues and expenses for the San Jerardo system was tabulated on Exhibit K of the application. The data on estimated depreciation and property taxes was furnished by Alisal in answer to a staff request.

Annual Revenues (60 Customers)	\$7,000
<u>Annual Expenses</u>	
Source of Supply and Pumping	1,379
Transmission and Distribution	919
Administrative and General	<u>2,405</u>
Subtotal Expenses	4,703
Depreciation	1,044
Property Taxes	<u>1,500</u>
Total Expenses	7,247
Net Revenue	<u>(247)</u>

(Red Figure)

The staff has briefly analyzed the above estimates that have been summarized from Exhibits J and K of the application. The expenses associated with employee and management salaries are allocated on a per customer basis, and are not additional expenses to Alisal. The staff believes that San Jerardo community would not be a financial burden on the existing customers of Alisal. However, the staff has recommended that the utility be ordered to keep separate records of operating revenues and direct operating expenses for the San Jerardo water system so that we can review the recorded operating results at some later Commission proceeding. At that time we may authorize a separate rate schedule for San Jerardo.

Rates and Tariffs

Applicant proposes to apply its presently filed tariffs to the San Jerardo system. Since the system would be operated in conjunction with Alisal's existing service area, this proposal appears to be reasonable.

Findings and Conclusions

We find that:

1. Public convenience and necessity require the construction of the proposed water system to serve the San Jerardo community in Santa Clara County.
2. The available water supply, including the proposed 75,000-gallon storage facilities, will provide a sufficient supply to meet the maximum daily domestic demand.
3. There is no evidence that the proposed water system, including the rehabilitated second well, can meet the fire flow requirements of General Order No. 103.
4. Applicant does not have a water supply permit from Monterey County to operate the San Jerardo system.
5. The application of applicant's present rates for water service in the San Jerardo service area is reasonable.
6. Applicant has the financial ability to serve the San Jerardo area.
7. Applicant's proposed financing of this extension will not have a significant detrimental effect on the utility's operations.
8. 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.
9. 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 Alisal Water Corporation authorizing it to construct a public utility water system to serve the San Jerardo area in the County of Santa Clara as delineated on the map, Exhibit D, attached to the application herein.

2. 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.

3. The authority granted in paragraphs 1 and 2 of this order shall not be exercised until applicant shall have filed with the Commission the following items:

- a. Copy of water supply permit for San Jerardo water system issued by Monterey County.
- b. Copy of letter from Salinas Rural Fire Department stating that the Fire Chief has determined that the water supply system satisfies his agency's fire flow requirements.

4. Applicant shall maintain a separate accounting of the operating revenues and direct operating expenses of the San Jerardo water system for a period of two years of operation.

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

6. 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.

7. 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 four days after the date hereof.

Dated at San Francisco, California, this 19th day of JULY, 1977.

Robert Batricic
 President

William Lyons, Jr.

Thomas L. Stinson

Commissioners

Abstain:
Robert D. Howell

Abstain:
Clair T. DeLoach