

Decision No. 57262

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of LASSEN VIEW WATER COMPANY, INC.,
a California Corporation, for a Certificate
of Convenience and Necessity to construct and
operate a water distribution system,

and

Application of LASSEN VIEW WATER COMPANY, INC.,
a California Corporation, for authority to
issue stock.

Application
No. 40033
(As Amended)

A. J. Calame, for applicant.
Noel Watkins, for County of Tehama, interested party.
Sidney J. Webb and John D. Reader, for Commission staff.

O P I N I O N

In this application, as amended, Lassen View Water Company seeks a certificate of public convenience and necessity authorizing said company to operate a public utility water system in a residential subdivision known as Lassen View Estates Subdivision, located approximately one mile east of Red Bluff. In addition, the applicant requests authority to issue 150 shares of no-par value stock to Ranch & Town Agency, Inc., a corporation, in order to finance the initial construction and operation of said utility.

Hearing

Public hearing was held in Red Bluff on June 24, 1958 before Examiner James F. Mastoris at which time oral and documentary evidence was produced by the applicant. No persons or companies appeared to protest the application. Members of the Commission's staff appeared and cross-examined applicant's witness and offered evidence in development of the record.

The Proposed Service Area

The Ranch & Town Agency, Inc., is presently subdividing and developing said Lassen View Estates area in the tract known as Unit No. 1, more particularly described by a map attached to the application and designated Exhibit C. The whole proposed service area consists of approximately 200 acres which can be divided into 350 residential lots and a commercial area. The subdivision as presently planned is located in the northern half of the area requested for certification and will consist of 172 lots. In said Unit No. 1 tract 16 houses are under construction or are being completed with nine houses being already occupied. It is expected that the entire 172 homes will be completed within five or six years. The applicant proposes to serve the entire territory regardless of whether Ranch & Town Agency, Inc., develops the whole area; the water company plans to finance part of the additional construction under the main extension rule. The real estate corporation does not own or control the entire 200 acres. The well site, pump, and water lines are located on said Unit No. 1 tract.

The Water System

Applicant's water facilities consist of a 240-foot surface sealed well equipped with a 10-horsepower turbine-type pump capable of delivering 200 gallons per minute to the system, 450 feet of 6-inch asbestos cement pipe and 1,240 feet of 4-inch pipe. The utility plans to furnish service to each two homes through a 1-inch plastic pipe with two 5/8 by 3/4-inch meters. Moreover it is alleged that the well has been test pumped at 400 gallons per minute and possesses a 700-gallon per minute potential. The pump is operated in conjunction with a 5000-gallon

horizontal pneumatic steel tank. The applicant alleges it can serve about 70 consumers with the present well and pump. No fire hydrants have been installed within said Unit No. 1 but applicant plans to furnish hydrants in its second unit.

The cost of the proposed distribution system along with the cost of the water supply facilities to serve said Unit No. 1 amounts to approximately \$15,000.^{1/} This amount is alleged to be reasonable for the above-described property.

Bacteriological tests have been made and results indicate that the water supply from this system is satisfactory. The requirements of Section 4014 of the Health and Safety Code have been met by the applicant.

Lassen View Water Company

Applicant is a California corporation having its principal place in Tehama County. It was organized in April 1958, approximately two weeks before filing this application, for the primary purpose of furnishing domestic water to the afore-mentioned territory. Its Articles of Incorporation authorize the issuance of 1,000 shares of no-par value stock. Only one class of shares of stock is authorized. None of these shares is issued or outstanding, nor has the issuance of any such shares been authorized.

Financing

This corporation came into being owning or controlling no real or personal property. In effect it seeks authority to purchase the above-described water system from said Ranch & Town Agency, Inc., and to issue 150 shares of stock to said agency in payment thereof. In view of the \$15,000 cost, the book value of each share will be approximately \$100. If authority is granted the stock will be issued and sold to the agency with title being taken

^{1/} Exhibit F (as amended)

in the corporate name. The real estate corporation financed the purchase, construction and installation of the distribution system and water supply facilities. The applicant plans to issue further stock, with Commission approval, in order to help finance further construction of the system. Two of the directors of the applicant also own all of the stock of Ranch & Town Agency, Inc. The third director appears to be an office employee of said development agency. The office of the subdivider will be the office of the utility. Thus the directorship and control of both companies are interlocking and the parent and subsidiary will be treated as one organization for the purpose of this proceeding.

Proposed Rates

Applicant requests that a flat rate water service charge for service to said Unit No. 1 in the amount of \$3.50 per month for each single-family residential service connection be approved. By amendment filed at the hearing said utility seeks authorization to establish general metered service at the option of either the company or the consumer.^{2/}

Feasibility of Operations

The utility expects to operate at a deficit of approximately \$350 during the first year of operation based on service to 24 units. It is anticipated that with water distribution to the 172 homes contemplated the applicant will realize an annual income of about \$270. It alleges that upon delivery to 350 units its annual total estimated expenses will be \$16,524.95; while it estimates its income to be \$18,270.00.^{3/}

The president of the company testified that the Ranch & Town Agency, Inc., expects to absorb the early annual losses of

^{2/} Exhibit G (and amendment)

^{3/} Exhibit J (as amended)

the utility until the revenue exceeds the disbursements. When the system is operating profitably it is contemplated that the applicant will return the amounts advanced. After the development of this system is completed the applicant plans to include as an expense item the personal services of a local manager in order to perform meter reading, maintenance work and various administrative duties.

Upon approval of this application, the applicant intends to have its office listed in the local telephone directory under the utility name in order that service complaints may be made in Red Bluff. Said office will also be used for the purpose of receiving customer inquiries and personal payment of monthly bills.

Findings and Conclusions

After consideration of the record herein, the Commission is of the opinion that the application should be granted. Despite the fact that this utility will operate at a loss during its formative stages, the financial structure of its parent organization appears to be adequate and capable of supporting operations until full development of the subdivision is completed.

There is no other water company that is willing to undertake the distribution of water in this subdivision. This utility's system, as designed, more than meets the minimum requirements of the Commission's General Order No. 103, except in relation to proposed size of service connection. The 1-inch services proposed, while adequate for a single customer, cannot be used to serve two customers. If applicant desires to use split-services, a size larger than 1 inch will be necessary. Additionally a second source of water supply should be developed before a larger pumping unit is added to the existing well.

The flat rate charge of \$3.50 for an additional area of 5,000 square feet is too high in relation to the basic charge and will be modified. With other appropriate modifications to the special conditions, the rates as proposed will be authorized.

Inasmuch as this is a new service and especially with the expected operating deficit during the early years, the rates charged by this company may be reviewed by this Commission at any subsequent time in order to determine whether or not these rates are resulting in reasonable charges and a reasonable return.

Therefore we find that public convenience and necessity require: (1) that Lassen View Water Company, Inc., be authorized to operate a public utility water system in the territory herein described; (2) that Lassen View Water Company, Inc., may issue 150 shares of no-par value stock to Ranch & Town Agency, Inc., Red Bluff as consideration for the transfer of said water system. The Commission is also of the opinion and finds that the property, labor or money to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; (3) that the requested certificate be granted to Lassen View Water Company to operate in said Lassen View Estates, subject to the conditions and restrictions set forth in the order which follows; and (4) that the rates attached to the following order are justified, fair and reasonable.

The certificate granted in and by the following order is subject to the following provision of law:

That 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 for any amount of money in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS ORDERED as follows:

(1) That a certificate of public convenience and necessity be and it is hereby granted to Lassen View Water Company, Inc., a corporation, to acquire, construct and operate a public utility system for the distribution and sale of water within the area hereinbefore described and as shown on Exhibits B and C attached to the application. The transfer of the water system from Ranch & Town Agency, Inc., to Lassen View Water Company, Inc., is hereby authorized.

(2) That Lassen View Water Company may issue to Ranch & Town Agency, Inc., 150 shares of no-par value stock as consideration for the transfer of said water system. Further, said shares shall not be sold or transferred to any member of the public within a period of two years from the effective date of this order without authority from this Commission.

(3) That Lassen View Water Company be, and it is, authorized to file, after the effective date of this order, the rates set forth in Appendix "A" attached to this order, to be effective on or before the date service is first rendered to the public, together with rules and a tariff service area map acceptable to this Commission and in

accordance with the requirements of General Order No. 96. Such rates, rules, and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinafter provided.

(4) That Lassen View Water Company, Inc., shall file, within ninety days after the system is placed in operation under the rates and rules authorized herein, four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the tract of land for which this certificate is issued, the sources of water supply and the distribution facilities, and the location of the various properties of the company.

(5) That Lassen View Water Company, Inc., prior to the commencement of service as herein authorized, shall certify over the signatures of its officers that it is the owner of the assets and business of the aforesaid water system without liability or encumbrance, as evidenced by appropriate deeds and bills of sale, and supported by the usual policy of title insurance issued by a title insurance company operating in Tehama County.

(6) That Lassen View Water Company, Inc., shall file with the Commission monthly reports as required by General Order No. 24-A of this Commission, which order, insofar as applicable, is hereby made a part of this order.

(7) That Lassen View Water Company, Inc., shall notify this Commission, in writing, of the date service is first furnished to the public under the rates and rules authorized herein, within ten days thereafter.

(8) That Lassen View Water Company shall determine the accruals for depreciation by dividing the original cost of the utility plant, less estimated future net salvage, less depreciation reserve, by the

estimated remaining life of the plant. Said company shall review the accruals as of January first of the year following the date service is first rendered to the public under the rates and rules authorized herein and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. The results of these reviews shall be submitted to this Commission.

(9) That Lassen View Water Company, Inc., shall make arrangements for a representative or representatives in the City of Red Bluff or on the Lassen View Estates Tract for the purpose of receiving customer inquiries and to receive personal payments of monthly bills. It is further directed that said company shall cause the telephone number of its representative's office to be listed in the local telephone directory under the name of said company. The company shall report to the Commission in writing within ten days after completion of each of the requirements of this ordering paragraph.

(10) That Lassen View Water Company, Inc., shall not extend its water system outside its certificated service area boundaries without further order of the Commission.

The authorization herein granted will expire if not exercised within one year after the date hereof.

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

Dated at San Francisco, California, this 26th day of August, 1958.

[Signature]
President
[Signature]
[Signature]

Commissioners

-9- Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including approximately 200 acres, bounded on the north by U. S. Highway 99 East, on the east by Samson Slough, on the south by Gilmore Road and on the West by East Sand Slough, located approximately one mile east of the City of Red Bluff, Tehama County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 800 cu. ft. or less	\$ 2.80
Next 1200 cu. ft., per 100 cu. ft.25
Next 3000 cu. ft., per 100 cu. ft.20
Over 5000 cu. ft., per 100 cu. ft.15
 Minimum Charge:	
For 5/8 x 3/4-inch meter	2.80
For 3/4-inch meter	3.50
For 1-inch meter	6.00
For 1-1/2-inch meter	8.00
For 2-inch meter	16.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.

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Schedule No. 2

RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

The unincorporated area including approximately 200 acres, bounded on the north by U. S. Highway 99 East, on the east by Samson Slough, on the south by Gilmore Road and on the West by East Sand Slough, located approximately one mile east of the City of Red Bluff, Tehama County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For each single family residence without swimming pool including premises not exceeding 13,200 sq. ft. in area	\$ 3.50
a. For each 100 sq. ft. of area in excess of 13,200 sq. ft.03
b. For each non-circulating evaporative-type cooler, in addition to regular flat rates, during the 6-month period May through September	1.00

SPECIAL CONDITIONS

1. The above residential flat rate charges apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications will be furnished only on a metered basis.
3. Meters may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service, and must be continued under Schedule No. 1 for not less than 12 months before it may again be changed to flat rate service.