

ORIGINAL

Decision No. 59151

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of BASS LAKE WATER COMPANY
to operate a water system in the area
surrounding Bass Lake, Madera County;
to establish rates; and to issue par
value capital stock in exchange for
water distribution properties.

Application No. 41040

Peckinpah, Peckinpah & Hamlin, by Charles F. Hamlin, for applicant.
Blanch MacDonald, protestant.
Ray Hayes, for Pet Schwabenland, F. G. Robin, Clayton Bush, Dr. Derdench, Chas. Stewart, et al; George A. Schroeder, for Falls Tract Leaseholders' Assn.; A. Hugo Pearson; M. L. Sperling; interested parties.
Wallace F. Epolt and Harold H. Webster, for the Commission's staff.

O P I N I O N

By the application herein, filed on April 16, 1959, and amended by an amendment filed on August 13, 1959, applicant Bass Lake Water Company, a California corporation, requests (1) a certificate of public convenience and necessity as a water corporation to serve an area adjacent to Bass Lake, Madera County, California, (2) authority to establish rates, and (3) authority to issue stock.

A public hearing on the application was held before Examiner Kent C. Rogers at Bass Lake on August 26, 1959, evidence was presented, and the matter was submitted. Prior to the hearing notice thereof was published and mailed to each of the water users in the proposed service area.

Background

Applicant is a California corporation formed primarily for the purpose of furnishing water for domestic use to occupants of lots in the vicinity of Bass Lake, California. Its articles of incorporation were filed with the California Secretary of State on March 2, 1959. It is thereby authorized, among other things, to issue 7,500 shares of stock having a par value of \$10 per share and an aggregate par value of \$75,000. The present directors are G. E. Williams, F. John Karr, and Charles Hamlin. The officers are G. E. Williams, president, Claude Williams, Jr., vice president, and Joyce Kimbrough, secretary. The latter three are all children of C. E. Williams and Grace Williams. Stock is to be issued to Williams Resorts, Inc. Williams Resorts, Inc., is a family corporation, all of the stock thereof being owned by the aforesaid members of the Williams family. Williams Resorts, Inc., leases from Pacific Gas and Electric Company the land along the northern and western edge of Bass Lake. It has in turn split the area into residential lots and subleases this land to families for periods of ten to fifty years. Until the present, and since approximately 1928, each lease provided that Williams Resorts, Inc., would furnish domestic water to its lessee at \$10 or \$20 per year, depending on the location of the land. By the application herein it is proposed to have the Bass Lake Water Company furnish this water as a public utility (which Williams Resorts, Inc., has obviously been doing since its formation), and to increase the rates.

The Service Area

The service area and system are depicted on Exhibit A on the application. On the west end of the lake is the Falls Tract

in which there are 68 consumers. On the east end of the lake is the Pines Tract in which there are about 381 consumers. Additionally, there are properties now owned by Williams Resorts, Inc. In the winter the number of consumers drops down to approximately 100. There is much room for expansion in the service area. Four or five consumers per year are added and no immediate large growth is contemplated.

The Proposed System and Water Supply

The source of supply is the north fork of Willow Creek. Applicant has been granted diversion rights by the Division of Water Resources of California to take from said creek approximately 670 gallons of water per minute. The water is chlorinated after diversion. The transmission and distribution system consisted of 1-inch to 8-inch lines totaling 63,200 feet on June 30, 1959. In July, 1959, an additional 2,730 feet of 4-inch and 315 feet of 2-inch pipe were installed.

Storage consists of a 38,000-gallon steel tank plus two 2,800 gallon steel tanks. All services are unmetered. There is no competing public utility company in the area.

The staff investigated the matter and determined that the water supply is more than adequate in a normal water year and should be adequate in a dry year. Any problems are principally the result of insufficient storage capacity and inadequate distribution mains. At present there is a need for about 130,000 gallons of storage. For every increase of 50 customers an additional 25,000 gallons of storage would be required.

Financing

Applicant proposes to issue 4,910 of its shares of stock to Williams Resorts, Inc., in exchange for the existing water system. This represents the depreciated book value of the assets presently

used and comprising its system, but includes no allowance for working cash. The applicant appraised the plant and equipment as having a depreciated value on January 1, 1959, of \$40,740. The staff found this figure usable. In addition, the applicant has installed in 1959 improvements costing \$8,362. This figure was agreed to by the staff. The staff estimated the depreciation accrual as of the end of 1959 for that year for both old and new plant at \$2,570. The applicant will be authorized to issue not to exceed 4,910 shares of its \$10 par value stock to Williams Resorts, Inc., in exchange for the plant and equipment of the system and working cash, such cash to be the difference between the said figure of \$49,100 realized from the issue of the stock and the depreciated value of the plant as of the actual date of transfer, calculated pursuant to page 10 of Exhibit No. 2 herein.

Rates

Applicant proposes rates as follows:

<u>Rates</u>	<u>Per Service Connection Per Year</u>
1. For the first single family residential unit on a single lot	\$39.00
a. For each additional single family residential unit on the same premises and served from the same service connection	12.00
2. For each business establishment when served from	
3/4 inch service connection	33.00
1 inch service connection	42.00
1-1/2 inch service connection	60.00
2 inch service connection	90.00

Summary of Earnings

The staff estimated the earnings for 1959 as follows:

Summary of Earnings

Item	1959 Estimated	
	Present Rates	Proposed Rates
Operating Revenues	\$ 5,840	\$ 19,820
<u>Deductions</u>		
Operating Expenses	7,300	7,300
Taxes Other than Income	1,180	1,180
Taxes on Income	100	2,970
Depreciation Expense	2,570	2,570
Total Deductions	11,150	14,020
Net Revenue	Loss	5,800
Average Depreciated Rate Base	71,400	71,400
Rate of Return %	Loss	8.1

In estimating these earnings the staff used a rate base which included \$22,800 for improvements to be installed in 1959.

Leaseholders and representatives of leaseholders appeared at the hearing. The proposed rates appear to be generally acceptable provided that the proposed improvements as listed by the staff, which will purportedly do away with water shortages or cessation of service, are installed. Authority to establish rates will, therefore, be contingent on improvements being made as set out in the order herein, and will be subject to reduction on further hearing in the event the improvements are not made in a reasonable time. The staff estimates are adopted as reasonable as are the operating results under these circumstances. It is found as a fact that the increases in rates and charges authorized herein are justified and that present rates, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable.

With respect to the schedule of rates there was no justification shown for a rate differential between a single family residential unit and a business establishment served through a 3/4-inch service connection. These rates will both be established at \$39 per year. Additionally, it should be pointed out that other multiple service water users are entitled to the same treatment as Williams Resorts, Inc., and that the authorized rate schedule and rules to be filed must be uniformly applied.

The Staff Recommendations

The staff made several recommendations based on its study. These recommendations appear reasonable, and applicant will be required to comply therewith in the order which follows.

Upon the evidence of record herein it appears and we find that public convenience and necessity require the granting of the certificate of public convenience and necessity as hereinafter set forth, subject to the conditions set forth in the order herein and 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.

It further appears and we find that the applicant shall be permitted to file the schedule of rates as set out in the order herein.

The Commission is of the opinion and finds that the money, property, or labor to be provided or paid for by the issuance of the stock herein authorized is reasonably required for the purposes herein specified and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

In issuing our order herein we place the applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, nor the dividend paid as measuring the return applicant should be allowed to earn on its investment in plant, and that the approval herein given is not to be construed as a finding of value of applicant's stock or properties, nor as indicative of amounts to be included in any future rate base for determination of just and reasonable rates.

O R D E R

An application having been filed, a public hearing having been held thereon, the matter having been submitted and now being ready for decision, and the Commission having made the foregoing findings and based on said findings,

IT IS ORDERED that Bass Lake Water Company, a corporation, be, and it hereby is, granted a certificate of public convenience and necessity to acquire and operate a public utility water company in the vicinity of Bass Lake, California, in the area depicted on Exhibit A attached to the application herein.

IT IS HEREBY FURTHER ORDERED:

(1) That Bass Lake Water Company be, and it is, authorized and directed to file, within thirty days after the effective date of this order, the rates set forth in Appendix A attached hereto, to be effective on or before the date service is first rendered to the public under the authority herein granted, 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 service area map shall become effective on five days' notice to the Commission after filing as hereinabove provided.

(2) That applicant shall notify this Commission, in writing, of the date service is first provided to the public under the rates and rules herein authorized, within ten days thereafter.

(3) That within sixty days after the effective date of this order, Bass Lake Water Company shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not smaller than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the principal water production, storage and distribution facilities, and the location of its various water utility properties.

(4) That beginning with the year 1959, applicant shall determine depreciation expense by multiplying the depreciable utility plant by a rate of 2.4%. This rate should be used until review indicates it should be revised. Applicant shall review the depreciation rate, using the straight-line remaining life method whenever substantial changes in depreciable utility plant occur and at intervals of not more than five years, and revise the above rate in conformance with such review. Results of these reviews shall be submitted to the Commission.

(5) That Bass Lake Water Company may issue not to exceed 4,910 shares of its \$10 par value stock to the parties and for the purposes specified in the foregoing opinion.

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

(7) That Bass Lake Water Company shall complete by June 1, 1960, an additional 20,000-gallon storage tank on the westerly side of the Falls Tract, connected by a 4-inch transmission line to the chlorinator, and shall replace the 1-inch line serving the lots on

the west side of the Falls Tract with a 3-inch line.

(8) That Bass Lake Water Company shall, as soon as practicable and not later than June 1, 1961, add 40,000 gallons of storage, either adjacent and connected to the existing 38,000-gallon storage tank, or at another suitable location in the Pines Tract.

(9) Compliance with ordering paragraphs (7) and (8) shall each be reported to the Commission in writing within ten days after completion of the required construction.

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

Dated at San Francisco, California, this 13th
day of October, 1959.

President

William J. Dool

E. J. Fox

Theodore J. J. J.

Commissioners

APPENDIX A

Schedule No. 2

ANNUAL GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate water service.

TERRITORY

The area adjacent to the northwest shore of Bass Lake, including the unincorporated communities of The Falls and Bass Lake, and vicinity, Madera County.

RATES

Per Service
Connection
Per Year

- | | |
|--|---------|
| 1. For a single family residence or residential unit on a single lot | \$39.00 |
| a. For each additional single family residential unit on the same premises and served from the same service connection | 12.00 |
| 2. For each business establishment when served from: | |
| 3/4-inch service connection | 39.00 |
| 1-inch service connection | 42.00 |
| 1 1/2-inch service connection | 60.00 |
| 2-inch service connection | 90.00 |

SPECIAL CONDITION

The above rates apply to service during each calendar year and are due in advance.