

ORIGINAL

Decision No. 60004

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of) SATICOY WATER COMPANY for approval) of Main Extension Agreements with) ONDULANDO HIGHLANDS, a corporation,) and)	Application No. 40545 amended
TEMPLE PLAZA, INC.,) JAKIM, INC.,) PRICEARD PLAZA, INC.,) PERSONALITY HOMES, INC.,) ONDULANDO ESTATES, a partnership.)	Applications Nos. 40948 40949 40950 40951 41129

William T. Selby, by Donald D. Roff, for
Saticoy Water Company.
Martin J. Porter, for the Commission staff.

O P I N I O N

These six applications, filed or amended between October 23, 1958 and May 11, 1959, and heard on a consolidated record on August 26, 1959 at Ventura before Examiner John M. Gregory, request permission to deviate from Saticoy Water Company's water main extension rule (Rule 15) by authorizing the company to carry out agreements with land developers in the western portion of its service area, between Ventura and Saticoy, for sharing the cost of construction, subject to refunds to the developers, of certain off-site booster, storage and transmission facilities designed to meet growing domestic and related irrigation demands at elevations ranging from about 300 to 800 feet in that area.

The Ondulando developments (Applications Nos. 40545 and 41129) are located in foothill terrain north of Foothill Road between Sexton and Corbett Roads. The homes in that area are substantial and

are constructed on large, well-landscaped lots or parcels of land.¹ The four other applications in this proceeding relate to Sunkist Plaza, a 136-lot tract of moderate income type homes located on flat, formerly agricultural, land about 1½ miles southeast of the Ondulando tracts between Telegraph and Kimball Roads and east of Corbett Road. Additional units are under construction in the Ondulando area, and more tracts are in prospect in the vicinity of Sunkist Plaza. Contracts for construction of water facilities for the first units of the two Ondulando developments were authorized by the Commission in earlier decisions.²

The issue presented by these applications (and also by the Nob Hill matter) arises not only from a combination of related physical and regulatory factors but also from the mere passage of time, during which increasing water demands within its service area have forced the company to survey the adequacy of present facilities and methods of operation, and to devise a plan for meeting current and anticipated developments without having to adopt the uneconomical expedient of constructing facilities from time to time on a piecemeal basis. The question at issue is whether or not the plan advanced by the parties would afford a practical solution to the problem and, at the same time, would be compatible with the public interest.

¹ A seventh application (No. 41422), relating to off-site facilities for Nob Hill Estates (formerly a portion of Ondulando Estates), was filed August 24, 1959, too late to be joined for hearing with the others. That application, which presents no special features requiring an additional hearing, will be disposed of by a separate decision.

<u>2</u>	<u>Decision</u> <u>Number</u>	<u>Date</u>	<u>Application</u> <u>Number</u>	<u>Tract</u>	<u>Number</u> <u>of</u> <u>Lots</u>
	54711	3-26-57	38748	Ondulando Estates	53
	57160	8-12-58	38977	Ondulando Highlands	23

Neither the adequacy of the engineering features of the proposal nor the cost of the various items included (except, to a minor degree, with respect to some short lengths of pipe) was questioned by the Commission staff members who presented reports and took part in the hearing. A staff hydraulic engineer, however, in his report and supporting testimony, raised a question in connection with the company's main extension rule, as applied to the Sunkist Plaza development. This question presents an issue which goes, not just to an interpretation of the rule in light of the over-all factual situation and the proposals set forth in the agreements, but directly to the source of one of the most prolific areas of controversy in the field of water utility-developer-Commission relationships and which is one of many issues now under serious study in the formal re-examination of the entire water main extension rule (Case No. 5501). The following quotation from his report presents the point (Exhibit 2, page 4):

"Sunkist Plaza is located east and south of Corbett Reservoir and at an elevation approximately equal to the remainder of the system. The utility proposes to build a 500,000-gallon tank when a larger percentage of the cost of this tank has been advanced by future developers requesting water service in the general area. It should be noted that relatively few utilities throughout the state have requested authorization to finance a system's storage requirements by this means, particularly when specific elevation problems are not involved." (Emphasis added)

The utility's main extension rule (promulgated in 1954 for all privately owned public utility water companies in California, Decision No. 50580, Case No. 5501, 53 Cal. P.U.C. 490) provides, with respect to advances for off-site facilities for specific pressure or storage problems and refund of advances generally, by the "Percentage of Revenue Method," in part as follows (Paragraphs C.1; C.2.b.):

"If additional facilities" (i.e., in addition to in-tract facilities including connection of mains from the nearest existing main at least equal in size to the main required to serve such development) "are required specifically to provide pressure or storage exclusively for the service requested, the cost of such facilities may be included in the advance upon approval by the Commission." (Paragraph C.1.).

As to refunds, the "Percentage of Revenue Method", modified somewhat by the agreements under consideration here, is as follows:

"The utility will refund 22%" (or an optionally higher percentage over a shorter period of time) "of the estimated annual revenue" (defined in Paragraph A.8. of the rule) "from each bona fide customer, exclusive of any customer formerly served at the same location, connected directly to the extension for which the cost was advanced. The refunds will, at the election of the utility, be made in annual, semiannual or quarterly payments and for a period of 20 years." (Paragraph C.2.b.).

The deviations from the company's rule, including advances for off-site installations requiring specific authority under Paragraph C.1., supra, relate chiefly to provision of excess-capacity transmission mains and storage, with related pumping plant, to be utilized not only for present and future needs of the phased Ondulando development but for current and future needs of Sunkist Plaza and anticipated growth in the vicinity of the latter, for which existing facilities are considered by the company to be inadequate.

There follows a list of the items provided by the various agreements for pressure, storage and pumping:

A. Ondulando Highlands (agreement dated August 29, 1958, supplementing agreement dated March 14, 1957, Decision No. 57160, Application No. 38977).

Item 1. Pipeline requirements from Corbett Reservoir to tract as fixed by Public Utilities Commission \$16,732

Item 2. Additional pump and pressure system 850

Item 3. One-half cost of additional storage to raise capacity to 215,000 gallons for 154 lots and irrigation limited to 45 g.p.m. 8,775
Cash to be paid immediately \$26,357

B. Ondulando Estates (agreement dated March 31, 1959, supplementing agreement dated December 28, 1954, Decision No. 54711, Application No. 38748).

Item 1. Pipeline requirements:

20 lots x 1.5 g.p.m. x 3	90 g.p.m.
Irrigation (as requested)	65 g.p.m.
Total requirement	155 g.p.m.

Ondulando Estates share of 10-inch transite line from Corbett Reservoir to Ondulando Highlands entrance:

8-inch line at 3½ f.p.s. velocity	558 g.p.m.
10-inch line at 3½ f.p.s. velocity	855 g.p.m.

Ondulando share: difference in cost between 8- and 10-inch line or 52.2% of cost, \$10,146 (155/297) \$ 5,296.21

Item 2. Storage Requirements:

½ (20 customers x 1.5 g.p.m. x 1440)	21,600 gal.
Irrigation storage based on 65 g.p.m.	22,500 gal.
Total storage requirements	44,100

44,100 gal. at .07¢ per gal. \$ 3,087

Total pressure and storage 8,383.21

C. Sunkist Plaza (4 agreements dated February 15, 1959).

Item 1. Pipeline requirements:

136 lots x 1.00 x 1.65	225 g.p.m.
Fire protection	225 g.p.m.
Total requirement	<u>450</u>

8-inch transite line, Corbett Reservoir to tract entrance \$10,473.19

Difference in cost 8- and 10-inch transite line from Corbett Reservoir to new reservoir, elevation 500 feet 2,181.21

Item 2. Pump requirements:

450 g.p.m., Corbett Reservoir to new reservoir 2,500.00

Item 3. Storage requirements:

$\frac{1}{2}$ (136 lots x 1.00 x 1440)	99,000 gal.
Fire protection, 225 g.p.m. for 3 hrs.	40,000 gal.
Total storage requirement	<u>139,000</u>

139,000 gal. at .07¢ per gal. \$ 9,730.00

Total off-site costs 24,831.40

Pro Rata of Sunkist Plaza Off-site Costs:

Temple Plaza, Inc., (40/136)	\$ 7,303.35
Jakim, Inc., (34/136)	6,207.85
Prichard Plaza, Inc., (50/136)	9,129.19
Personality Homes, Inc., (12/136)	2,191.01
Total	<u>24,831.40</u>

Construction of the Sunkist Plaza off-site installations had not started as of the date of the staff investigation (August 5, 1959). The actual adjusted cost of the on-site installations for that tract, advanced by the group of four subdividers, amounted to \$17,719.

The estimated costs of the foregoing items, together with in-tract facilities for the three subdivisions, total \$92,812.56. The sums, in addition to those applying to the first Ondulando units (already authorized by earlier decisions), were advanced by Ondulando Estates on April 30, by Ondulando Highlands on July 30

and by the Sunkist Plaza group on February 28, all in 1959. A detailed analysis of the estimated, actual, and adjusted costs, as applied to the several tracts, is contained in Exhibit 2.

The deviations from the company's extension rule, except for storage and booster facilities required to be specifically authorized, relate to excess-capacity transmission pipe, and are as follows, together with estimated costs (from Exhibit 2):

<u>Development</u>	<u>Deviation</u>	<u>Cost</u>
Ondulando Estates, Unit 2	Difference in cost, 8- and 10-inch main	\$ 5,296
Ondulando Highlands, Unit 3	Off-tract transmission main to new 400,000- gallon reservoir	10,472
Sunkist Plaza	Difference in cost, 10- and 12-inch main	2,128
	1000 ft. 8-inch main along Corbett Road	3,500
	Total	<u>\$21,396</u>
All Developments	All advances are to be repaid using actual revenues from connec- tions in each subdivi- sion.	

Ondulando Highlands and Ondulando Estates (also Nob Hill Estates, Application No. 41422), located at the western end of the utility's service area, require booster pumps and storage tanks to provide adequate service to those tracts. The company recently installed the 400,000-gallon Ondulando Highlands steel reservoir (elevation 832'), referred to in the statistics above.

The original engineering plan, on which the Ondulando estimates were based, was to pump water from Corbett Reservoir north on Corbett Road, west on Foothill Road and through the Ondulando tracts to Ondulando Reservoir. The revised plans, designed to meet the problem presented by the Sunkist Plaza development and still

provide adequate volumes and pressures in the Ondulando area, in substance proposed the construction of a new 500,000-gallon reservoir (elevation 500') above the intersection of Corbett and Foothill Roads; installation of a 750 g.p.m. pumping station north of Foothill Road, to pump water from Corbett Reservoir (262,000-gallon capacity) to the Ondulando Estates 100,000-gallon (elevation 352') and new Ondulando Highlands 400,000-gallon tanks, as well as to the proposed 500,000-gallon reservoir (tentatively called New Sexton); abandonment of the present 84,000-gallon Sexton Reservoir (elevation 460') above the intersection of Sexton and Foothill Roads; laying of an 8-inch main from Corbett Reservoir south and east to Sunkist Plaza, and eventual installation of a 14-inch transmission main from the proposed New Sexton Reservoir to near the intersection of Telegraph and Kimball Roads west of the Sunkist Plaza tract. The new reservoir site would be provided by the utility through an exchange of property valued at the cost basis of the old Sexton site, \$7,500. This involves no net change in the company's assets. The original pipe requirements for the Ondulando developments remained the same, but the proposed change in method of operation called for inclusion of the Sunkist Plaza group in the plan to the extent of providing a portion of the off-site transmission, pumping and storage facilities required.

No mention has thus far been made of the history and layout of the Saticoy Water Company system, or of its sources of supply and methods of operation. The somewhat comprehensive improvements, discussed above, have been considered necessary, to a large extent, because of recent changes in the type of demand on the system, originally acquired in 1896 from the County of Ventura to serve what was then, and until recently has continued to be, a sparsely settled agricultural territory between Saticoy and Ventura.

The utility's chief source of water is from wells in Saticoy, from an underground basin shared by Alta Mutual Water Company, a mutual irrigation company with which the utility has long enjoyed a close operating relationship. The company leases from Alta transmission and storage capacity, for a sum of about \$221 per month, to transport its water, metered separately at the wells, through Alta's main 20-inch transmission line from Saticoy north on Wells Road to Alta's 1,500,000-gallon reservoir, located at a base elevation of 413 feet a short distance north of the intersection of Wells and Foothill Roads.

The system, as presently operated, receives water from Alta's reservoir through the mutual's 16-inch gravity main running westerly above Foothill Boulevard to the City of Ventura. At Foothill and Corbett Roads the water passes through a weir, from which it flows south on Corbett Road to Corbett Reservoir. Water is also delivered through Alta's 8-inch main, which runs westerly along Telegraph Road from Wells Road, past the northern end of Sunkist Plaza, and on to its terminus at Sexton Road near the eastern limits of the City of Ventura. The 8-inch line serves customers along Telegraph Road and is now taxed almost to capacity. The utility also has a well at Montalvo, in the southeasterly portion of its system, and a new 300,000-gallon reservoir, used for service in that area.

The Ondulando area presently is supplied from Corbett Reservoir by pumping to Sexton Reservoir and to the other two reservoirs above the tracts in that area. Sunkist Plaza is now serviced also from Corbett Reservoir and by water flowing through the Alta 8-inch main. It is proposed to continue this general method of operation until growing demands make construction of the projected 500,000-gallon New Sexton Reservoir financially feasible, when it and the larger transmission mains and additional pumping facilities will be tied into the

system to provide the necessary volumes, pressures, and safety factors required by customers in both the foothill and lower areas. An alternative to the proposed installation would entail construction of a long transmission line and wasteful duplication of facilities rendered inadequate by the demands of later developments.

The utility is in direct competition for new customers with the Water Department of the City of Ventura, the lines of which extend eastward and are in close proximity to the developments here discussed. The record shows that land developers have preferred to do business with the utility because of refund arrangements not available from the City of Ventura Water Department. On the other hand, it appears that city sewer facilities are not available to developments which receive water from other than city sources. It would seem that as long as new housing developments are being constructed in competitive territory, water to serve such developments is more likely to be provided under conditions that would appeal to the economic interests of the developers, with the result that increasing demands will be made on the utility's plant.

The record, as we view it in light of the unique topographical situation and the present physical layout of this system, makes clear the desirability of treating the joint proposals of the utility and the other contracting parties as a reasonably effective method of satisfying both present and near future needs for water in the western portion of the utility's service area.

We find from the evidence that the additional facilities requested by the developers in these several applications, considered in the context of the factual situation shown to exist, should be included in the advances, in the manner and to the extent provided by the agreements.

One further subject, relating to the utility's current financial situation and to the expiration of previous loan authority, should be noted.

Financial statements and related data in regard to the utility's capital structure, sources of funds, and earnings are detailed in Exhibit 3. The capital structure is summarized in the following tabulation as of the end of May, 1959, at which time the total assets and the total liabilities including capital, each amounted to \$418,011.93.

Capital Structure

<u>Item</u>	<u>Amount</u>	<u>Percent</u>
Equity capital	\$208,286.09	52.7
Long-term debt	50,100.00	12.7
Advances for construction	<u>136,552.10</u>	<u>34.6</u>
	\$394,938.19	100.0

Long-term debt on May 31, 1959, included several 5 percent demand notes renewable for a period of five years. Under authority of the Commission (Decision No. 56069, January 14, 1958, Application No. 39559), the utility executed a loan commitment agreement with a local bank which would allow the total debt to be increased to \$160,000. However, any long-term notes issued to the bank in the future will require additional formal authority, since that granted by Decision No. 56069 expired on September 30, 1958. Only a nominal sum is now carried in the loan account.

During the period January 1, 1958 — May 31, 1959, funds provided by advances for construction totalled \$96,038.27; total funds provided from all sources amounted to \$139,212.61, of which \$105,596.05 was applied to plant additions.

Comparative income statements for 1957, 1958 and the first five months of 1959 indicate that the company obtained sufficient

cash from revenues to maintain its plant, pay operating expenses and interest on debt, and make refunds of advances when due. It has been the company's policy to "plow back" earnings into plant. A stock dividend was declared in 1955, but cash dividends have not been paid. The management, however, anticipates that adequate cash will be available in the future to pay a reasonable dividend.

The Commission finds that the requested authority is not adverse to the public interest. The several applications, accordingly, should be granted.

O R D E R

Public hearing having been had, the matter having been submitted, the Commission now being fully advised and basing its order upon the findings and conclusions contained in the foregoing opinion,

IT IS ORDERED that:

1. Applicant be and it is authorized to carry out the terms and conditions of the written main extension agreements with Ondulando Highlands, Temple Plaza, Inc., Jakim, Inc., Prichard Plaza, Inc., Personality Homes, Inc., and Ondulando Estates, copies of which are attached to the respective applications herein.

2. Saticoy Water Company, within thirty days after execution of the agreements considered herein, shall file with the Commission two fully conformed copies of each of said agreements, as executed, together with a statement of the date on which the agreements are

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deemed to have become effective.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 26th
day of April, 1960.

[Signature]
President
[Signature]
[Signature]
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Commissioners