

ORIGINALDecision No. 64314

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 BISHOP WATER COMPANY, a California
 corporation, for a Certificate of
 Public Convenience and Necessity to
 operate a public utility water system,
 to establish rates therefor, and for
 a permit to issue capital stock of
 said applicant corporation.

Application No. 44308
 (Filed March 30, 1962)

Pioda, Leach, Stave, Bryan & Ames, by
Joseph A. Stave, for applicant.
Sidney J. Webb and Arthur C. Fegan, for
 the Commission staff.

INTERIM OPINIONApplicant's Request

This application was heard before Examiner Carol T. Coffey in San Francisco on May 28, 1962, and submitted upon the receipt of late-filed exhibits on June 29, 1962. There were no protests, and no members of the public attended the hearing.

Applicant requests authority to construct a public utility water system within an area in Monterey County delineated on Exhibit 7, to purchase a water system from B-F Properties, Inc. (subdivider), to establish rates to be charged for water service, and to issue \$75,000 par value of stock and \$25,000 principal amount of bonds.

Service Area Requested

The area for which a certificate is requested is located in unincorporated territory adjacent to the north side of the Monterey-Salinas highway, approximately 6 miles east of the Monterey

civic center. It is identified as Tract No. 405, Laguna Seca Ranch Estates Unit No. 1, being developed by subdivider into 46 lots. Tract No. 405 is a 35-acre portion of the 1,015 acre Laguna Seca Ranch, 500 acres of which have been master-planned for development. This development is intended to meet standards of high quality.

There are no water systems that provide service in the immediate vicinity of Tract No. 405, the nearest being two miles to the west of the area.

Water System

The source of supply is a gravel packed well, 12 inches in diameter, drilled to a depth of 324 feet, with a turbine pump capable of pumping 125 gallons per minute. The water is to be pumped through a sand extractor and a water softener into the transmission mains and thence either into the distribution system or into a 20-foot high, 200,000-gallon redwood storage tank located at an elevation of 480 feet. The storage tank site is about 1,000 feet from the nearest lot to be served. This system will initially serve 46 customers, although ~~ultimately~~ designed for ^{for an ultimate} 240 residences.

Three hydrants will be used to flush three dead-end mains. Two other dead ends in this tract will be eliminated when mains are extended in the future.

Subdivider has awarded a contract, after competitive bidding, for installation of this water system, the estimated cost of which is summarized below:

Wells	\$ 6,102
Pumping Equipment	10,666
Water Treatment Equipment	10,035
Tanks	16,150
Mains	27,490
Services (Including Meters)	6,610
Hydrants (Including all Distribution Valves)	5,292
Engineering and Inspection	9,000
Total	<u>\$91,345</u>

Applicant has entered into an agreement to purchase this water system from subdivider at cost, and to purchase for \$6,000 the well and tank sites and a right of way for the mains to be located outside of the proposed service area. The vice president of applicant and subdivider alleged that the cost of land to applicant was lower than the current market value, having been determined by him on the basis of his knowledge of a sale of land for school property and on the hypothetical price of the water tank site. No showing was made of the original or historical cost of the lands and land rights purchased from subdivider for \$6,000.

Applicant has made application to the Monterey County Department of Health for a domestic water supply permit. Applicant is investigating the possible need for a county franchise.

Affiliated Interests

Bishop Water Company, whose president is F. C. Bishop, proposes to issue the 7,500 shares of its capital stock to F. C. Bishop and C. H. Bishop, his wife, who also are the owners of the stock of subdivider, a real estate development firm. Approximately 500 acres of Laguna Seca Ranch are owned by subdivider, the remaining 500 acres being owned by F. C. and C. H. Bishop or by the C. D. Livestock Company. Sidney A. Franklin, Jr., is vice president of both applicant and subdivider. For purposes of regulation of applicant, all of these entities may be deemed to be one person.

Rates and Earnings

Applicant estimated, without excluding plant presently installed to serve future customers, that its proposed rates would result in average monthly bills of \$24.00 for 50 customers. Applicant and the staff of this Commission respectively estimated

operating results reflecting the exclusion of plant for future customers as follows:

Item	Applicant* (Exhibit 15)	Staff (Exhibit 17)	Applicant as: Adjusted by: Staff (Exhibit 19)
Operating Revenues	\$ 9,555	\$ 7,392	\$ 8,280
Operating Expenses	2,270	2,989	2,270
Other Expenses:			
Property Taxes	1,346	901	1,158
Depreciation	2,648	1,457	2,198
Income Taxes	547	185	315
Total Expenses	\$ 6,811	\$ 5,532	\$ 5,941
Net Revenue	2,744	1,860	2,339
Plant Investment	78,040	53,000	67,144
Ratio Revenue to Investment	3.52%	3.51%	3.49%
Average Monthly Bill (50 customers, exclusive of fire protection revenue)	\$14.97	\$11.36	\$12.84

*Applicant's exhibit is here adjusted by deducting bond interest from expenses.

Applicant's Exhibit 15 was adjusted by the staff in Exhibit 19 to eliminate bond interest from expenses, and to reflect the lesser storage tank requirements needed for 50 customers, and for other purposes.

The requested rates for metered service, public fire hydrant service, and private fire protection service are set forth in Exhibit G attached to the application.

Applicant may not reasonably expect to receive a full return on its investment until the subdivision is more fully developed and occupied. The rates which will be authorized by this order will enable the utility to obtain revenues of approximately

\$9,000, sufficient to recover its expenses of rendering utility water service to Tract No. 405 and to pay interest charges on its bonds.

Financing of System

Applicant requests permission to issue up to 7,500 shares of capital stock at a par value of \$10 (totaling \$75,000), and authorization of a trust indenture (Exhibit 18) which provides for a series of ten bonds of \$2,500 principal amount each (totaling \$25,000), with interest at the rate of 7 percent and maturing serially commencing in the eleventh year of a 20-year period. The total capitalization of \$100,000 is requested to finance the following assets:

Cash	\$ 2,655.26
Water production and distribution facilities	91,344.74
Land	<u>6,000.00</u>
Total	\$100,000.00

A witness for applicant testified that the land to be sold to applicant by subdivider for \$6,000 was originally bought by the Bishops, who then sold it to subdivider.

The request to record said land at \$6,000 poses the question whether the proper standard in accounting for such property should be (1) the cost to the dedicator or (2) the value at the time of dedication. We do not resolve that question at this time, however, for the evidence in this record is not satisfactory under either standard. There is no evidence of the original cost to the Bishops, and the evidence of current market value was largely self-serving and was not supported by an independent appraisal.

Accordingly, the authorization herein to issue stock and to establish rates will not reflect any value for the land in question. Our order will be an interim one, and applicant may in the future move to reopen the proceeding to present satisfactory evidence of land value.

Staff Recommendations

In addition to certain recommendations set forth in Exhibit 17, a member of the Commission staff moved that the area certificated be restricted to the area requested in the application since plans for future financing and development of the area were problematical. The motion is denied. ~~The rates provided in this order take into consideration the plant presently installed to serve future customers.~~

Findings

The Commission, having considered the request of the applicant, finds:

1. Public convenience and necessity require that the application for certification be granted as set forth in the following order.
2. Applicant possesses the financial resources to construct and operate the proposed water system.
3. The money, property or labor to be procured or paid for by the issuance of the securities herein authorized is reasonably required for the purposes specified and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. The authorizations herein granted and the action taken herein by the issuance of a certificate of public convenience and necessity are not to be construed as a finding of value of

applicant's stock or properties, nor indicative of amounts to be included in any future rate base for the purpose of determining just and reasonable rates.

4. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.

5. Applicant's water supply and distribution facilities should provide reasonable service for the proposed certificated area and meet the minimum requirements of General Order No. 103 with the exception of two main dead ends that cannot be flushed. Applicant should follow the staff recommendation that temporary blowoffs be installed until these mains are extended.

6. Since the sale of the water system by subdivider does not involve the sale of public utility property, authorization therefor is not required.

7. The certificate hereinafter granted shall be 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 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.

INTERIM ORDER

Public hearing having been held and based on the evidence therein adduced,

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to applicant, authorizing it to construct and operate a

public utility water system for the distribution and sale of water in the subdivision tract in Monterey County known as Tract No. 405, Laguna Seca Ranch Estates, and as delineated on Exhibit 7 in this proceeding.

2. Applicant is authorized to file, after the effective date of this order, the schedules of rates and charges set forth in Appendix A attached to this order, to be effective on or before the date service is first rendered to the public under the authority herein granted, together with the rules governing service to customers, a tariff service area map and sample copies of printed forms normally used in connection with customers' services, in accordance with the requirements of General Order No. 96-A. Such rates, rules, tariff service area map and forms shall become effective upon five days' notice to this Commission and to the public after filing as hereinabove provided.

3. Applicant 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.

4. Applicant shall file, within thirty 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 of not more than 400 feet to the inch, delineating by appropriate markings the tract of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

5. Beginning with the year 1962, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of 3.3 percent. This rate shall be used until review

indicates that it should be revised. Applicant shall review the depreciation rate, using the straight-line remaining life method, when major changes in utility plant composition occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to this Commission.

6. The certificate herein granted and the authority to render service under the rates and rules authorized herein will expire if not exercised within one year after the effective date of this order.

7. Applicant, for the purposes herein set forth, may issue capital stock at par of \$10 per share not to exceed 6,900 shares in the aggregate par value of \$69,000.

8. Applicant, for the purposes herein set forth, may execute a trust indenture in the same form, or substantially the same form as that filed as Exhibit 18, and may issue and sell not to exceed \$25,000 principal amount of bonds.

9. Applicant shall file with this Commission a report or reports as required by General Order No. 24-A, which order insofar as applicable is hereby made a part of this order.

10. On or before December 31, 1962, applicant may, in writing, move to reopen this proceeding to present additional evidence and/or argument concerning the value of the land to be sold to it by subdivider, and applicant may at that time request such additional authority as may be appropriate concerning accounting, issuance of securities, and rates. If such motion is not made on or before said date, this proceeding shall thereupon be discontinued, and

any such additional presentation shall be made by separate application.

The authority herein granted to execute a trust indenture and to issue bonds will become effective when the applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$25. In other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 25th day of SEPTEMBER, 1962.

George T. Hoover
President
John J. [unclear]
[unclear]
Frederick B. Holbrook
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
SEP 27 1962
25238
BY [signature]

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Laguna Seca Ranch Estates, and vicinity, located approximately six miles east of Monterey, Monterey County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rates:	
First 1,000 cu. ft. or less	\$ 8.00
Next 1,000 cu. ft., per 100 cu.ft.60
Over 2,000 cu. ft., per 100 cu.ft.35
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 8.00
For 3/4-inch meter	11.00
For 1-inch meter	16.00
For 1 1/2-inch meter	25.00
For 2-inch meter	36.00
For 3-inch meter	63.00
For 4-inch meter	100.00

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

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

The area known as Laguna Seca Ranch Estates, and vicinity, located approximately six miles east of Monterey, Monterey County.

RATES

	<u>Per Month</u>
For each 2-inch service connection	\$ 4.00
For each 3-inch service connection	7.00
For each 4-inch service connection	10.00
For each 6-inch service connection	20.00
For each 8-inch service connection	30.00

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premise to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Continued)

3. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

4. For water delivered for other than fire protection purposes, charges shall be made therefor under Schedule No. 1, General Metered Service.

5. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, duly organized fire districts and other political subdivisions of the State.

TERRITORY

The area known as Laguna Seca Ranch Estates, and vicinity, located approximately six miles east of Monterey, Monterey County.

RATES

	<u>Per Hydrant Per Month</u>	
	<u>Facilities Installed at Cost of</u>	
	<u>Utility</u>	<u>Public Authority</u>
For each single-outlet hydrant	\$4.00	\$2.00
For each double-outlet hydrant	5.00	2.25
For each triple-outlet hydrant	6.00	2.50

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.

2. Hydrants owned by the public authority shall be installed, maintained, inspected and relocated at the expense of the public authority. The utility will install and own the tee in the main, the hydrant branch and the control valve.

(Continued)

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

SPECIAL CONDITIONS (Continued)

3. Hydrants owned by the utility shall be maintained by it. The utility will install and own the tee in the main, the hydrant branch, the valve and the bury and hydrant.

4. Relocation of any hydrant shall be at the expense of the party requesting relocation.

5. Fire hydrants will be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the ownership, type and size of hydrant and the specific location at which each is to be installed.

6. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.