

Decision No. 67264**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of The River Island Water Co. (a California Corporation) for a certificate of public convenience and necessity to operate a public utility system (water) in and adjacent to the area of Tulare County Tract 339, Tulare County; and to establish rates for the service of water therefrom.

Application No. 45847
(Filed October 9, 1963)

Fred A. Strauss and Edward K. Olson, Jr., for applicant.
David K. Wong and Sidney J. Webb, for the Commission staff.

O P I N I O N

Applicant River Island Water Company seeks a certificate of public convenience and necessity to construct a public utility water system and requests authority to issue securities.

This application was heard before Examiner Catey at Porterville on March 25, 1964, and was submitted on that date. Copies of the application, the amendment filed January 20, 1964, and notice of hearing had been served in accordance with this Commission's rules of procedure. There are no protests.

Service Area

Applicant's proposed service area consists of some 34 acres in Tulare County, including Tract No. 389 and eight acres of adjacent land. This area is located about four miles southwest of Springville, between State Highway 190 and Tule River. The tract has been subdivided into 45 residential lots surrounded by the River Island Golf Course. Elevations range from 720 to 780 feet above sea level. The nearest public utility water system is 11

miles away and the nearest municipal system is four miles from Tract No. 389.

Proposed Water System

The initial source of supply for the proposed system is a well, equipped with a submersible pump and electric motor and capable of delivering 17 gpm against maximum system pressure. A hydropneumatic tank near the well has controls set to maintain 40 to 60 psi pressure. Applicant's engineer testified that preliminary tests on a horizontal infiltration gallery which was under construction at the time of the hearing indicate that a sustained flow of 60 gpm and a peak four-hour flow of 100 gpm can be obtained from that supplemental source. Applicant also plans to utilize three wells north of the state highway when additional sources are needed, and to install a large storage tank near those wells.

The proposed distribution system consists of about 3,600 feet of 6-inch and 4-inch mains, 46 service pipes and meters, and four fire hydrants. The report, Exhibit No. 2, presented by a Commission staff engineer indicates that the system will comply with General Order No. 103. Applicant will obtain fee title or rights-of-way for any land needed for the water system facilities.

Franchise and Permit

Applicant alleges that Tulare County does not require a franchise to operate a public utility water system. It further alleges that it will apply for a public water supply permit from the Tulare County Health Department.

Rates and Earnings

The rate schedules proposed by applicant provide for general metered service and residential flat rate service. The

general metered service schedule includes a basic \$3.75 minimum monthly charge for 1,000 cubic feet or less, with a graduated scale ranging from \$0.20 to \$0.12 per hundred cubic feet for usage in excess of 1,000 cubic feet per month. The rates set forth in Appendix A to the ensuing order are essentially those requested by applicant, with minor changes to simplify the meter rate structure.

Exhibit No. 2 shows that the proposed rates would produce less than one percent return on applicant's rate base if all 46 potential customers in the initial development were served. Applicant's principals are aware that there will be losses during the developmental period and have already provided a \$1,000 bank account in applicant's name to cover such losses. As applicant extends into additional units planned for future development, most of the cost will be advanced by the subdividers pursuant to applicant's main extension rule. The additional revenue from new customers served by the extensions should improve applicant's earnings significantly.

Financing

At the hearing, applicant modified its proposed financing to avoid the inconvenience of amending its articles of incorporation, which now limit its authorized stock to 250 shares with a par value of \$100 per share. Applicant now proposes to issue 60 shares of that stock to its affiliated subdivider and principals at \$1,000 per share, in payment for the estimated \$59,000 cost of the initial water system and \$1,000 of working cash.

The exact amount of stock to be issued will be based upon the actual cost of the water system. Applicant's affiliate

is willing to transfer to applicant all records, memoranda and papers pertaining to the construction of the system so that it can support the original costs it enters in its plant accounts.

Findings and Conclusion

The Commission finds that:

1. Public convenience and necessity require the construction of a water system to serve the certificated area requested herein.

2. The facilities proposed to be installed by applicant are adequate to serve the requested area and conform to the requirements of General Order No. 103.

3. The initial development, to which in this case the main extension rule to be filed by applicant shall not apply, consists of the area certificated herein.

4. Applicant has the financial ability to provide service to the requested area.

5. The initial facilities with a peak capacity of 50 gpm proposed to be installed by applicant are adequate to serve 10 customers but additional facilities are necessary to provide reasonable service to the entire certificated area and to any extensions thereof.

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

The Commission concludes that the application should be granted as set forth in the ensuing order.

The authorization given herein to issue securities is not a finding as to the value of applicant's stock or properties

nor is it necessarily indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to applicant River Island Water Company authorizing it to construct a public utility water system to serve Tract No. 389 and two adjacent parcels of land in Tulare County, as delineated on the map, Exhibit "L" to the amendment to the application herein.

2. Applicant shall not extend or furnish water service outside its certificated area boundaries without authority first having been obtained by further order of this Commission.

3. After having complied with paragraph 6 of this order, and not less than four days before service is first furnished to the public under the authority granted herein, applicant shall file the schedules of rates set forth in Appendix A to this order, tariff service area maps clearly indicating the boundaries of the certificated area, appropriate general rules, and copies of printed forms to be used in dealing with customers. Such filing shall comply with General Order No. 96-A and the tariff schedules shall become effective on the fourth day after the date of filing.

4. 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.

5. Within sixty days after service is first furnished to the public under the authority granted herein, applicant shall file in this proceeding 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 tracts of land and territory served; the principal water supply, transmission, pressure, storage and distribution facilities, and the location of applicant's various water system properties.

6. Prior to filing the tariffs authorized herein, applicant shall have installed such facilities, including an additional well or infiltration gallery, as are necessary to provide for a peak system demand of at least 50 gpm. Within ten days after such additional facilities are installed, applicant shall file in this proceeding a written report showing the details of the manner in which the requirements of this paragraph have been accomplished.

7. When the number of customers reaches 10, or within three years after the effective date of this order, whichever is earlier, applicant shall have installed facilities, including a storage tank of not less than 50,000-gallon capacity, necessary to provide for the reasonable continuation of an adequate supply of water. Within ten days after such additional facilities are installed, applicant shall file a written report with this Commission, showing the number of customers then served and details of the manner in which the requirements of this paragraph have been accomplished.

8. Compliance by applicant with paragraph 3 of this order shall constitute acceptance by it of the right and obligation to furnish public utility water service to the area certificated herein. The authorities granted herein shall expire unless the designated tariffs are filed within one year after the effective date of this order.

9. Beginning with the year 1964, applicant shall determine depreciation accruals by multiplying the original cost of depreciable utility plant by a rate of 3 percent. This rate shall be used until review indicates it should be revised. Applicant shall review the depreciation rate, using the straight-line remaining life method, whenever major changes in depreciable utility plant composition occur and at intervals of not more than five years; applicant shall revise the depreciation rate in conformance with such reviews, and, upon completion of each review, shall submit promptly to this Commission the results thereof.

10. After the effective date of this order, applicant shall obtain from its affiliated subdivider, and shall preserve, all records, memoranda and papers pertaining to the construction of the facilities to be transferred. Applicant shall file in this proceeding written notification of its receipt of these records.

11. After the effective date of this order, applicant is authorized to issue not to exceed \$6,000 aggregate par value of its capital stock, at ten times its par value, in exchange for utility plant (at original cost) and working cash.

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

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

Dated at San Francisco, California, this 11th day of MAY, 1964.

Hallam L. Bennett
President
George T. Grover
Fredrick B. Holdhoff
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 389 and vicinity, adjacent to the River Island Golf Course located approximately 4 miles southwest of Springville, Tulare County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less	\$ 3.75
Next 3,000 cu.ft., per 100 cu.ft.20
Next 6,000 cu.ft., per 100 cu.ft.15
Over 10,000 cu.ft., per 100 cu.ft.12
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.75
For 3/4-inch meter	4.75
For 1-inch meter	7.00
For 1 1/2-inch meter	12.00
For 2-inch meter	17.00

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

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The area known as Tract No. 389 and vicinity, adjacent to the River Island Golf Course, located approximately 4 miles southwest of Springville, Tulare County.

RATES

	<u>Per Service Connection Per Month</u>
For a single-family residential unit, including premises not exceeding 12,000 sq.ft. in area	\$ 4.50
a. For each 100 sq.ft. of premises in excess of 12,000 sq.ft.03

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.