

ORIGINALDecision No. 67908

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CONFIDENCE DEVELOPMENT CORPORATION to construct and operate a water system in the Confidence area of Tuolumne County, and to establish rates.)	Application No. 45533
)	(Filed June 19, 1963)
)	(Amended August 3, 1964)

O P I N I O N

This is an application for a certificate of public convenience and necessity to construct and operate a public utility water system in the Confidence area of Tuolumne County. A report, prepared in March 1964 by an engineer of the Commission's Hydraulic Branch has been received in evidence as Exhibit No. 1.

Three letters from applicant which have the effect of modifying the application have been received in evidence. The letter dated July 26, 1963 is Exhibit No. 2; the letters dated November 19 and 27, 1963 are Exhibit No. 3.

Confidence Development Corporation has been in business for some time but has not as yet issued any capital stock. By the amendment of August 3 authority is requested to issue 50 shares of \$100 par value common capital stock in proportion to the respective investments of Sam Kerns, Peter A. Bifarella and Elinor Brown in the corporation.

The company reports assets of \$164,628 and liabilities of \$75,680 as of May 13, 1964. With stock outstanding of a total par value of \$5,000 the surplus would be carried at \$83,948. The reported assets consist principally of \$116,684 trust deed receivable, with the water system amounting to \$11,231.

The area for which a certificate is requested, Confidence Ridge Subdivision, Unit No. 1, is located in portions of Sections 10 and 15 of Township 2 North, Range 16 East, M.D.B & M., about one mile south of Confidence, Tuolumne County. This subdivision is being developed by the applicant. It consists of 71 lots, with a minimum size of 10,000 square feet and is located on either side of the Tuolumne-Confidence County Road. Three of these lots will be reserved for utility use. Additional subdivision development abutting the rear of the initial lots facing on the Confidence County Road is anticipated in the future.

The public utility water system nearest to the requested area is that of Ponderosa Water Company, located about 3 miles to the southwest. Applicant's president, Mr. Sam Kerns, is the proprietor of Cold Springs Water Company, a public utility water company operating at Cold Springs, located about 8 miles east of Long Barn on State Highway 108, Tuolumne County. Tuolumne County Water District No. 1 provides service in the area of Twain Harte, about 2 miles to the west.

The proposed source of supply is a 6-inch well which has been drilled to a depth of 280 feet on a lot within the proposed service area. A three-hp pump will deliver about 20 gpm into a 15,000-gallon storage tank at the well site, from which the water will be delivered into the distribution system by a 120-gpm booster pump, through a hydropneumatic tank with controls set to maintain a maximum pressure of 70 psi at the highest fire hydrant. This will result in a maximum pressure of 95 psi at the lowest service in the area. Applicant's engineer has stated that storage capacity will be increased to 60,000 gallons as development of the requested area progresses. Applicant states that its proposed 60,000-gallon storage is sufficient to supply the system for two days in the event of an interruption to its source of supply.

The subdivision is located at the top of a ridge between elevations of 4,090 and 4,145 feet. The elevation of the well is 4,120 feet.

Exhibit B attached to the application shows that the distribution system is to consist of approximately 6,160 feet of 4-inch asbestos-cement pipe and 850 feet of 2-inch polyvinyl chloride plastic pipe, most of which is to be installed on private property in public utility easements within the subdivision. The installation of mains in easements was chosen to facilitate future expansion, to provide system loops, and to provide minimum length service connections. There are four dead ends in the proposed system, each on the end of a 2-inch main 250 feet or less in length. Each dead end is to be equipped with a 2-inch blow-off.

The distribution system, as planned, is designed to furnish adequate service in the area requested to be certificated. With the exception of the water supply, the proposed installations meet the minimum standards set forth in General Order No. 103. A well of 20 gpm capacity and storage of 15,000 gallons will not provide sufficient capacity for the ultimate development of the subdivision. Applicant proposes in its letter of July 26, 1963 (Exhibit No. 2) to provide additional storage within one year after the first customer is furnished service or before 25 customers are added to the system (whichever occurs first). It is estimated that the maximum number of customers to be added to the system in the first 12 months of operation is 10 or less.

Applicant has estimated the construction cost for the above-described system to total \$39,100. The summary of the cost estimate is set forth in applicant's letter of November 19, 1963 (Exhibit No. 3), and shows the cost segregated by major plant account

items, which are summarized below:

Organization	\$ 400
Land	3,000
Wells	2,240
Pumps	2,600
Tanks	5,700
Distribution Mains	17,410
Services	1,260
Fire Hydrants	600
Engineering and Contingencies	<u>5,890</u>
Total	\$39,100
Average per Customer	\$575

Applicant's proposed schedule of rates for metered service as revised by its letter dated November 19, 1963 (Exhibit No. 3) is as follows:

<u>Monthly Quantity Rates</u>	<u>Per Meter Per Month</u>
First 1,000 cu.ft. or less	\$ 5.50
Next 3,000 cu.ft., per 100 cu.ft..	.40
Over 4,000 cu.ft., per 100 cu.ft..	.20

<u>Annual Minimum Charges</u>	<u>Per Meter</u> ✓
For 3/4-inch meter	\$ 66.00
For 1-inch meter	100.00
For 1 1/2-inch meter	150.00

Applicant's proposed annual rate for flat rate service as revised by said letter dated November 19, 1963 is \$66.00 for a 3/4-inch service.

Applicant's estimated annual revenues based on 71 customers and annual rates of \$66 and expenses are summarized as follows:

Operating Revenues	\$4,690
Operating Expenses & Taxes	2,389
Depreciation (3% of \$35,700)	<u>1,071</u>
Total Expenses	3,460
Net Revenue	1,230
Return on Utility Plant	3.1%

The annual depreciation rate of 3 percent used by applicant in its computations appears to be reasonable.

The Commission finds that:

1. Public convenience and necessity require that the application should be granted as set forth in the following order.
2. Applicant possesses the financial resources to construct and operate the proposed system.
3. The rates set forth in Appendix A attached hereto are fair and reasonable for the proposed service.
4. Applicant's proposed system will provide reasonable service for the proposed certificated area and meet the minimum requirements of General Order No. 103.
5. The water supply will not meet the requirements of General Order No. 103 when the system is fully developed.
6. A water supply permit has not been obtained from the public health authority having jurisdiction in the area.
7. A composite depreciation rate of 3 percent is reasonable for this system.
8. The money, property or labor to be procured or paid for by the issue of the stock herein authorized 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 provided by the following order.

The certificate hereinafter granted shall be subject 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.

In issuing our order herein, we place 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 dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization 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 proceedings for the determination of just and reasonable rates.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Confidence Development Corporation, authorizing it to construct and operate a public utility water system to serve Confidence Ridge Subdivision, Unit No. 1, Tuolumne County.
2. Applicant shall not extend service outside of the area certificated by this order without further order of this Commission.
3. Within one year after the effective date of this order, applicant is authorized to file the rates set forth in Appendix A attached to this order, to be effective on or before the date service is first furnished to the public under the authority herein granted, together with rules and a tariff service area map in accordance with the requirements of General Order No. 96-A. After having been so filed, such tariff sheets shall become effective on the fourth day after the date filed.
4. 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 within the area certificated herein. The authority granted herein shall expire unless the

designated tariff sheets are filed within one year after the effective date of this order.

5. Prior to the date service is first furnished to the public under the authority granted herein, applicant shall apply to the appropriate public health authority having jurisdiction for a water supply permit for the proposed system and submit written notice thereof to this Commission.

6. Within ten days after the date service is first rendered to the public under the rates and rules authorized herein, applicant shall submit written notice thereof to this Commission.

7. Within sixty days after the system is first placed in operation under the authority granted herein, applicant shall file 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 properties related to applicant's water system certificated herein.

8. When the number of customers reaches 20, or within one year after the date service is first furnished to the public under the authority herein granted, whichever is earlier, applicant shall have installed standby source of water and standby booster pump both of sufficient capacities to provide for the reasonable continuation of an adequate supply of water to customers in case of the failure of either the single source of supply or the booster pump. Within ten days after such alternate facilities are installed, applicant shall file a written report with this Commission, showing the number of customers then served and the details of the manner in which the requirement of this paragraph has been accomplished.

9. Beginning with the year 1964, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of 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.

10. Applicant, for the purposes set forth in the application as amended, may issue not to exceed \$5,000 aggregate par value of its capital stock.

11. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-B, 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 22nd day of SEPTEMBER, 1964.

Fredrick B. Holbrook
President
George H. Brown
William M. Bennett
Commissioners

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The area known as Confidence Ridge Subdivision, Unit No. 1, and vicinity, located about 1 mile south of Confidence, Tuolumne County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:	
First 1,000 cu.ft. or less	\$4.75
Next 3,000 cu.ft., per 100 cu.ft.40
Over 4,000 cu.ft., per 100 cu.ft.20

	<u>Per Meter</u> <u>Per Year</u>
Annual Minimum Charge:	
For 5/8 x 3/4-inch meter	\$57.00
For 3/4-inch meter	80.00
For 1-inch meter	130.00
For 1 1/2-inch meter	260.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

APPENDIX A
Page 2 of 5

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charge shall be due the customer.

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The area known as Confidence Ridge Subdivision, Unit No. 1, and vicinity, located about 1 mile south of Confidence, Tuolumne County.

RATE

	<u>Per Service Connection Per Year</u>
For a single-family residential unit, including premises	\$66.00

SPECIAL CONDITIONS

1. The above flat rate applies to service connections not larger than 1 inch in diameter.
2. All service not covered by the above classification shall be furnished only on a metered basis.
3. For service covered by the above classification, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.
4. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

(Continued)

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS (Continued)

5. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The area known as Confidence Ridge Subdivision, Unit No. 1, and vicinity, located about 1 mile south of Confidence, Tuolumne County.

RATE

Per Month

For each hydrant \$2.00

SPECIAL CONDITIONS

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

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

3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the specific location at which each is to be installed.

4. 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.