

ORIGINALDecision No: 67961

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 TRINITY VILLAGE WATER CO., a
 California corporation, for a
 certificate of public convenience
 and necessity to construct and
 operate a public utility water
 system; to establish rates; and to
 issue stock.

Application No. 46688
 (Filed June 1, 1964)

O P I N I O N

Trinity Village Water Co., a corporation, seeks a certificate of public convenience and necessity to construct a public utility water system and requests authority to issue securities. A Commission staff report, hereby incorporated in the record as Exhibit No. 1, presents the results of a study of the application and of a field investigation made in connection with this matter.

Service Area

The area for which a certificate is requested consists of the 250-acre, 235- to 250-lot tract known as Trinity Village Subdivision and about 45 acres of land between the subdivision and the Trinity River, located in an unincorporated area of Trinity County, about 11 miles southeast of Willow Creek and adjacent to the northerly bank of the Trinity River. The subdivision includes a gently sloping bench of land overlooking the river and extends into steeper terrain to the north. Elevations range roughly from 575 to 1,000 feet above sea level. Lot sizes vary from about 1/4 acre to 2½ acres. The nearest existing water system is a public utility serving an area near Willow Creek.

Applicant expects the tract to be developed as a summer home and recreation area. Year-round water service will be made available and Exhibit H, attached to the application, indicates that applicant anticipates that most of the customers will require service during both the summer and the winter seasons.

Proposed Water System

The source of supply for the proposed water system will be a diversion from Hawkins Creek, a perennial tributary of the Trinity River. The creek flows through part of the tract at a minimum rate estimated by applicant to be 1,000 gpm. The diversion point will be in the extreme northeast corner of the subdivision, at an elevation of 950 feet.

Water from an infiltration gallery and concrete weir at the diversion point will be pumped through a filter, chlorinated, and stored in a 120,000-gallon tank which will maintain pressures and flows in most of the distribution system. An additional pump and hydropneumatic tank will deliver water from the storage tank to the extreme upper lots in the tract. There will be a total of about 24,000 feet of 2-inch to 6-inch mains in the two zones, from which 1-inch double services will deliver water to the various lots. Exhibits F-1 and F-2, attached to the application, show 16 dead ends but over half of these can and should be eliminated by interconnecting them with relatively short additional lengths of mains. The remaining dead ends will require valves for flushing, in accordance with General Order No. 103. Applicant's officers have agreed to make the necessary modifications.

Exhibit No. 1 indicates that, with the possible exception of some 4,700 feet of plastic distribution mains and the 1-inch plastic services, the proposed system appears to meet the

requirements of General Order No. 103. That general order does not prescribe specific standards for plastic pipe but sets forth general requirements which may or may not be met by the proposed plastic pipe. Applicant is hereby placed on notice that it must bear any resulting financial burden if the pipe later proves to have an unreasonably short service life because of the material or workmanship involved. Any extraordinary maintenance costs or premature replacement costs would not provide a proper basis for increased water rates in future proceedings before this Commission.

Franchises and Permits

The application states that Trinity County has not required a franchise and that applicant has received from the Trinity County Health Department the public water supply permit required by the California Health and Safety Code; however, Exhibit No. 1 indicates that the water supply permit has been applied for, but not received.

Rates and Earnings

The rate schedules proposed in the application provide for annual general metered service, annual and seasonal residential flat rate service, and a connection charge for new services. Exhibit No. 1 states that, during the staff engineer's field investigation, applicant's officers stated that they would prefer an annual flat rate of \$60 per customer, in lieu of the combined schedule of seasonal and annual rates requested in the application, and that a fire hydrant rate of \$1 per month was desired. A connection charge for new services is prohibited by General Order No. 103.

The staff recommends that the \$60 annual flat rate and \$1 fire hydrant rate be established. The staff also recommends that there be less differential between the flat rates and meter minimum

rates than proposed by applicant, and that the option of metered service be left only to the utility. This will result in an equitable distribution of annual operating costs to all customers and will avoid the installation of meters on services with only nominal water requirements. The staff recommendations are adopted in the rate schedules authorized herein.

Exhibit No. 1 shows that the rates recommended by the staff would produce net revenues of about \$2,900 if the subdivision were fully developed. Assuming that the plant will be about one third depreciated by the time full development of the subdivision is achieved, a return of about 6 percent on depreciated rate base can then be expected under the rates authorized herein. If, at some future date, some public agency provides fire protection to the area, applicant will receive a small amount of additional revenue from fire protection service.

Financing

Applicant's initial officers and directors are: Jack Walsh, a practicing physician in Eureka; Donald E. Riewerts, a partner in an accounting firm in Arcata; and Francis B. Mathews, a partner in a law firm in Eureka. Applicant proposes to finance the installation of facilities with funds obtained by the sale of 750 shares of its no par value common stock to its three officers for \$100 per share. Those officers are also officers and directors of Trinity River Development, Inc., subdivider of Trinity Village Subdivision. Their financial position is shown by the financial statements, Exhibits E-1, E-2 and E-3, attached to the application.

Applicant's officers are aware that it may be several years before any net profits will be realized from the water utility operation, due to the anticipated slow customer growth. The

officers appear, however, to have the requisite financial ability and have agreed to loan additional cash to applicant if and when needed during the early development period when expenses of operation will exceed revenues.

Findings and Conclusions

The Commission finds that:

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

2. The rates and charges authorized herein are reasonable and will not produce in excess of a reasonable rate of return on applicant's investment in utility plant.

3. Applicant has the financial ability to construct and operate a water system to serve the requested certificated area, which area shall be considered the initial development to which, in this case, the main extension rule to be filed by applicant shall not apply.

4. The facilities proposed to be installed by applicant, including interconnecting piping to eliminate certain dead ends and assuming deficiencies in material or workmanship will not develop at some later date, are adequate to serve the requested area and will conform to the requirements of General Order No. 103.

5. Applicant should be required to advise this Commission of any significant differences between the system as planned and as actually constructed.

6. Applicant's proposed initial depreciation rate of 3 percent is reasonable.

7. 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 to the extent set forth in the order to follow. In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the stated 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.

ORDER

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to applicant Trinity Village Water Co., a corporation, authorizing it to construct a public utility water system to serve Trinity Village Subdivision and adjacent territory, Trinity County, as delineated on the map, Exhibit D, attached to the application.
2. After the effective date 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, a tariff service

area map 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. The tariff schedules shall become effective on the fourth day after the date of filing.

3. Compliance by applicant with paragraph 2 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 authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

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 four copies of a comprehensive map, drawn to an indicated scale of not more than 400 feet to the inch, delineating by appropriate markings (a) the tract of land and territory served, (b) the principal water supply, transmission, pressure, storage and distribution facilities, and (c) the location of applicant's various water system properties.

6. Beginning with the year 1964, applicant shall determine depreciation accruals by multiplying the original cost of depreciable utility plant by a rate of three percent. This rate shall be used until review indicates it should be revised. Applicant shall (a) 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, (b) revise the depreciation rate in conformance with such reviews, and (c) upon completion of each review, submit promptly to this Commission the results thereof.

7. After the effective date of this order, applicant is authorized to issue not to exceed 750 shares of its no par value capital stock, at \$100 per share, in exchange for cash, and use the proceeds for the purposes specified herein.

8. Applicant shall file with this 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 6th day of OCTOBER, 1964.

Fredrick A. Hablitzel
President
Paul J. Hutchins
George T. Crower
William W. Baird

Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

The area known as Trinity Village Subdivision, and vicinity, located approximately 11 miles southeast of Willow Creek, Trinity County.

RATES

	<u>Per Meter Per Month</u>
Monthly Quantity Rates:	
First 1,000 cu.ft. or less	\$ 4.50
Next 1,000 cu.ft., per 100 cu.ft.20
Next 1,000 cu.ft., per 100 cu.ft.15
Over 3,000 cu.ft., per 100 cu.ft.10
	<u>Per Meter Per Year</u>
Annual Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 54.00
For 3/4-inch meter	66.00
For 1-inch meter	90.00
For 1 1/2-inch meter	132.00

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.

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 charges shall be due the customer.

APPENDIX A
Page 3 of 5

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 Trinity Village Subdivision, and vicinity, located approximately 11 miles southeast of Willow Creek, Trinity County.

RATES

	<u>Per Service Connection Per Year</u>
For a single-family residential unit, including premises	\$60.00

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 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.

APPENDIX A
Page 4 of 5

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE
(Continued)

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

TERRITORY

The area known as Trinity Village Subdivision, and vicinity, located approximately 11 miles southeast of Willow Creek, Trinity County.

RATE

	<u>Per Month</u>
For each hydrant	\$1.00

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 ownership, type and the size of hydrant and 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.