

**ORIGINAL**

Decision No. 67963

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Charles W. Roberts, )  
 Luis S. King and Johnny P. Roberts, )  
 as co-owners (ALPINE VILLAGE WATER )  
 COMPANY), for a certificate of )  
 public convenience and necessity to )  
 operate a public utility system )  
 (water) in and adjacent to the )  
 area of the proposed Alpine Vil- )  
 lage Development, the first unit )  
 of which is Tract 417, Tulare )  
 County; and to establish rates for )  
 the service of water therefrom. )

Application No. 46502  
 Filed April 13, 1964

O P I N I O N

Charles W. Roberts, Luis S. King, and Johnny P. Roberts, copartners, doing business as Alpine Village Water Company, seek a certificate of public convenience and necessity to construct a public utility water system. 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 22-acre, 44-lot Tulare County Tract 417, located in an unincorporated area of the county, approximately 16 miles east of Springville. Elevations range from 6,355 to 6,710 feet above sea level. The nearest water purveyor is Sequoia Crest Water Company, a public utility serving an area about three miles southwest of Tract 417.

Applicants expect the tract to be a typical mountain resort development with most of the lots having only small cabins. Year-round water service will be made available but applicants estimate

that only about 10 percent of the customers will require water service during the winter season.

Proposed Water System

The source of supply for the proposed water system will be perennial springs located above and north of Tract 417, on U. S. Forest Service land, with rights conveyed to applicants by special use permit. These springs have a continuous flow of approximately 20 gpm and can probably be developed to produce an even greater flow.

Water from the springs will flow into a 20,000-gallon storage tank, whence it will flow by gravity into the distribution system. There will be a total of about 3,600 feet of 2-inch to 6-inch asbestos-cement mains, from which 3/4-inch single and 1-inch double services will deliver water to the various lots. There will be two dead ends, but they will be equipped with valves for flushing. Exhibit No. 1 states that the proposed water system facilities appear to be properly designed to furnish adequate service to the requested area and that they conform with the requirements of General Order No. 103.

Applicants all reside in or near Porterville, some 35 miles southwest of Tract 417, and will be available for the day-to-day operation and maintenance of the system.

Franchises and Permits

The application states that Tulare County does not require a franchise or special permit to operate a public utility water distribution system. Applicants have not yet applied to the Tulare County Health Department for the public water supply permit required by the California Health and Safety Code.

Rates and Earnings

The rate schedules proposed in the application provide for seasonal general metered service and seasonal residential and business flat rate service. The requested flat rate and meter minimum rate are \$48 for an 8-month summer season commencing March 1 and ending October 31, for a single-family residential unit including premises. A 4-month winter seasonal flat and meter minimum rate of \$20 is also requested. At the time of the staff's field investigation, applicants' representative asked that the request for flat rates for business service be deleted, inasmuch as applicants now plan to furnish service to all business and commercial establishments on a metered basis.

The staff recommends that only annual flat rate and meter rate schedules be established. The staff also recommends that there be a differential between the flat rates and meter minimum rates and that the option of metered service should 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. Although applicants have made no request for a fire hydrant rate, the staff recommends that such rate be established at a level of \$2 per hydrant per month. The staff recommendations are adopted in the rates authorized herein.

Exhibit C, attached to the application, sets forth an estimate of applicants' earnings and rate of return, assuming 90 percent of the lots to be occupied during the summer season and 10 percent during the winter. The exhibit shows estimated annual revenues of \$1,989 and expenses of \$1,672. The resulting net revenue of \$317 would produce a return of 1.9 percent on applicants' estimated rate base of \$16,855.

It is apparent that the utility operation will not be economically feasible if it results in a return of less than 2 percent on rate base at 90 percent occupancy of the lots. Initial rates should be at a level that will not require a significant increase to produce a reasonable return after a high customer density is achieved. The annual rates recommended by the staff and authorized herein should produce \$2,600 gross revenues at 90 percent occupancy of the lots, and result in net revenues of about \$650. Assuming that the plant will be about one third depreciated by the time a reasonable customer density 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, applicants will receive a small amount of additional revenue from fire protection service.

Financing

Applicants propose to finance the installation of facilities with their own funds. The staff investigation indicates that assessment bond financing will not be utilized. Applicants appear to be the owners and developers of Tract 417. Their financial position is shown by the financial statements, Exhibits E-1, E-2 and E-3, attached to the application.

Applicants 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. However, they appear to have the requisite financial ability and are willing to carry on the utility operation 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 applicants.
2. Applicants' proposed source of supply will be adequate to serve the requested area and those lots delineated by light broken lines on the map, Exhibit A, attached to the application, but will not permit unlimited future expansion into additional areas.
3. Applicants have not yet applied for a public water supply permit.
4. The rates and charges authorized herein are reasonable and will not produce in excess of a reasonable rate of return on applicants' investment in utility plant.
5. Applicants have 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 applicants shall not apply.
6. The facilities proposed to be installed by applicants are adequate to serve the requested area and will conform to the requirements of General Order No. 103.
7. Applicants should be required to advise this Commission of any significant differences between the system as planned and as actually constructed.
8. Applicants' proposed initial depreciation rate of 3 percent is reasonable.

The Commission concludes that the application should be granted to the extent set forth in the order to follow. 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 Charles W. Roberts, Luis S. King and Johnny P. Roberts, copartners, doing business as Alpine Village Water Company, authorizing them to construct a public utility water system to serve Tract 417, Tulare County.
2. Applicants shall not extend nor furnish water service outside their certificated area boundaries except to serve those lots delineated by light broken lines on the map, Exhibit A, attached to the application, without authority first having been obtained by further order of this Commission.
3. Prior to the date service is first furnished to the public under the authority granted herein, applicants shall apply to the appropriate public health authority having jurisdiction for a water supply permit for the proposed system and file in this proceeding a copy of the application for such permit.
4. 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, applicants 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.
5. Compliance by applicants with paragraph 4 of this order shall constitute acceptance by them 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.

6. Within ten days after service is first furnished to the public under the authority granted herein, applicants shall file in this proceeding written notice thereof.

7. Within sixty days after service is first furnished to the public under the authority granted herein, applicants 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 (a) the tract of land and territory served, (b) the principal water supply, transmission, pressure, storage and distribution facilities, and (c) the location of applicants' various water system properties.

8. Beginning with the year 1964, applicants 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. Applicants 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 above rate in conformance with such reviews, and (c) upon completion of each review, submit promptly to this Commission the results thereof.

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

Dated at San Francisco, California, this 5th day of OCTOBER, 1964.

Frederick C. Hillhoff  
President  
W. S. R. [unclear]  
George H. [unclear]  
William M. [unclear]

Commissioners

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



APPENDIX A  
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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Alpine Village, Tract 417 and vicinity, located approximately 5 miles north of Camp Nelson, Tulare County.

RATES

Monthly Quantity Rates:		<u>Per Meter Per Month</u>
First	800 cu.ft., or less . . . . .	\$5.00
Next	1,200 cu.ft., per 100 cu.ft. . . . .	.25
Next	3,000 cu.ft., per 100 cu.ft. . . . .	.20
Over	5,000 cu.ft., per 100 cu.ft. . . . .	.15

Annual Minimum Charge:		<u>Per Meter Per Year</u>
For	5/8 x 3/4-inch meter . . . . .	\$ 60.00
For	3/4-inch meter . . . . .	78.00
For	1-inch meter . . . . .	102.00
For	1 1/2-inch meter . . . . .	156.00
For	2-inch meter . . . . .	216.00

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.

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.

(Continued)

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

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.

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Alpine Village, Tract 447 and vicinity, located approximately 5 miles north of Camp Nelson, Tulare County.

RATES

	<u>Per Service Connection Per Year</u>
For a single-family residential unit, including premises . . . . .	\$66.00
For each additional single-family residential unit on the same premises and served from the same service connection . . .	30.00

SPECIAL CONDITIONS

1. The above flat rates apply to service connection not larger than 3/4-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.

(Continued)

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

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

Alpine Village, Tract 447 and vicinity, located approximately 5 miles north of Camp Nelson, Tulare County.

RATE

	<u>Per Month</u>
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. 1, 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.