

ORIGINALDecision No. 68766

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 the LAKE ALPINE WATER COMPANY, INC.,)
 a corporation, for a certificate of) Application No. 46880
 public convenience and necessity to) (Filed August 7, 1964; Amended
 operate as a water company for the) October 15, 1964 and January
 sale of domestic water supply.) 25, 1965)

O P I N I O N

Copies of this application and the amendments were served in accordance with the Commission's procedural rules. A report was prepared by an engineer of the Commission's Utilities Division, Hydraulic Branch, based upon the application, amendments thereto and a field investigation, which was made on September 24, 1964. This report is hereby incorporated in the record as Exhibit No. 1. Applicant seeks a certificate and authorization of rates and stock issuance. A letter from applicant's consulting engineers dated February 25, 1965, is hereby incorporated in the record as Exhibit No. 2 and an enclosed subdivision map as Exhibit No. 3.

The developer of the area requested to be certificated (and also the proposed sole stockholder of applicant) is Bear Valley Development Company, which owns or controls about 400 acres of land in the vicinity of the proposed development. This is the only privately-owned land in the area; the surrounding area is Stanislaus National Forest. Neither the development corporation nor its principal stockholders now own or operate a public utility water system in California. The president of the development company, who plans to reside in this immediate area, will act as operating manager of the water system.

The area for which a certificate is requested is Tract No. 1, Alpine County. It is located adjacent to State Highway No. 4, about 3 miles west of Lake Alpine, approximately 7,100 feet above sea level. This tract consists of approximately 127 acres divided into 237 residential lots. It has been approved by the County Board of Supervisors and the land improvements are in the final stages of development.

Plans are now being prepared for extensive recreational facilities. Reba Reservoir, designed to have a capacity of approximately 240 acre-feet, is being developed just north of the subdivision for recreational activities and also as a source of supply for the proposed water system.

The nearest water system to this area is Cottage Springs Water Company, about 10 miles west on State Highway No. 4. It is a public utility water system under the jurisdiction of this Commission.

The initial source of supply for the proposed system consists of two springs, located approximately 3,200 and 4,200 feet north of the subdivision at elevations of 7,636 and 8,031 feet. These springs have a tested minimum capacity of about 80 gallons per minute. Water is conveyed from the springs to a 43,000-gallon redwood storage tank located approximately 2,400 feet north of the subdivision at an elevation of 7,450 feet. The springs and storage tank are located on land of the U. S. Forest Service, which has issued a permit for use of the land on which the facilities are located.

The area to be served is divided into two pressure zones, the upper zone lying generally above an elevation of 7,160 feet. The lower zone will vary from elevations of 7,080 to 7,160 feet. Applicant anticipates using the springs and tank to supply the upper zone on a permanent basis and to supply the lower zone during the first year or two of service when it is anticipated that very few customers

will require water service. Ultimately, however, the lower zone is to receive water directly from Reba Reservoir. Construction of the facilities to deliver water from the reservoir to the lower zone is scheduled for the Spring of 1965 and includes transmission main and treatment facilities to serve the lower zone through a pressure reducer. Tentative approval for this use of the reservoir water has been received from the local health officer, providing full treatment of water for utility use is effected. Request for a final water supply permit has been delayed pending completion of the initial system.

The production facilities to be constructed initially will be adequate to furnish water service to about 250 domestic customers under minimum use conditions. However, using an estimated average peak use of 400 gallons per customer per day, not more than about 150 customers could be adequately served from the springs and tank. Water requirements of the planned commercial and recreational facilities are not known at this time. When facilities are completed for taking water from the reservoir, the sources of supply will be adequate to serve all land now owned by the development company. The system is designed so that larger or additional supply, treatment and storage facilities can be added as customer growth requires. Booster facilities can also be provided at the reservoir if future development at higher elevations requires.

The distribution system as originally designed included small diameter pipe which exceeded the lengths permitted by General Order No. 103. Applicant's engineer, subsequent to the filing of the application and after reviewing these minimum standards, revised the distribution system layout to eliminate virtually all instances where the originally planned system failed to meet standards of the

general order. The few remaining instances of proposed excess length of small diameter main do not appear to present a problem at this time.

The system as now designed will consist of about 4,900 feet of 6-inch and 16,400 feet of 4-inch, Class 150 asbestos-cement pipe and about 2,800 feet of 2-inch and 2,200 feet of 1½-inch galvanized steel pipe. The majority of the small diameter pipe is located in dead-end private streets or rights-of-way and is designed to furnish service to very few customers.

Detail of utility plant costs totaling \$100,997 is shown in an exhibit attached to the application. This figure includes \$1,000 for land and \$250 for organization. The estimated utility plant cost of about \$420 per customer, as indicated in the application, is reasonable compared with other recently constructed systems of similar characteristics. Applicant's proposed additions and the changes required to bring the plant into substantial compliance with General Order No. 103 will not substantially increase this cost.

Applicant plans to finance the cost of the facilities proposed to be constructed by issuance of 1,000 shares of its common stock for \$100 per share in the aggregate amount of \$100,000. Applicant's representative indicated that extensions of facilities to serve future units will be made in accordance with the Commission's standard main extension rule. Applicant's representative stated that assessment bond financing is not being used to pay for the installation of any water system facilities.

Applicant proposed the rates and schedules shown in Appendix A. Applicant's representative stated that commercial customers and larger services are to be metered and that eventually all services will be metered. The rates proposed appear reasonable for the service to be furnished. The installation of meters should be at the option of the utility only.

Attached to the application as Exhibit G is an estimate of annual revenues and expenses based upon an 80 percent occupancy of the 237 lots which are being subdivided. This estimate shows revenues of \$12,500 and expenses of \$9,892, with an estimated rate of return of 2.6 percent. Commercial, convention and recreational facilities, when constructed in the area, should increase revenues with very little corresponding increase in expenses.

The Commission finds that:

1. Public convenience and necessity require that the application be granted as set forth in the ensuing order.
2. Applicant possesses the financial resources to construct and operate the proposed system.
3. 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.
4. The action taken herein is for the issuance of a certificate of public convenience and necessity only and is not to be considered as indicative of amounts to be included in future proceedings for the purpose of determining just and reasonable rates.
5. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.
6. Applicant's water supply and distribution facilities will provide reasonable service for the proposed certificated area and substantially meet the requirements of General Order No. 103.
7. Applicant has not yet procured a permit from the public health authority having jurisdiction.

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 future proceedings for the determination of just and reasonable rates.

Applicant is placed on notice that the pressures required by Rule II 3a of General Order No. 103 must be maintained.

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 Lake Alpine Water Company, Inc., a corporation, authorizing it to construct a public utility water system to serve in Bear Valley Tract No. 1, Alpine County, as shown on Exhibit C attached to the amended application herein.

2. 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 acceptable to this Commission and in accordance with the requirements of General Order No. 96-A. After having been so filed, such tariff sheets shall become effective the fourth day after the date filed.

3. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

4. 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.

5. Within ten days after the date service is first rendered to the public under the authority granted herein, applicant shall submit written notice thereof to this Commission.

6. 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.

7. Beginning with the year 1965, 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.

8. Applicant, for the purposes herein set forth, may issue not to exceed \$100,000 aggregate par value of its capital stock at par.

9. 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 23rd day of MARCH, 1965.

Fredrick B. Holliday
President

John E. Mitchell

George H. Grover

Augusta

William W. Bennett
Commissioners

APPENDIX A

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Bear Valley tract, Tract No. 1, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine 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,

(Continued)

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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

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.

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

Bear Valley tract, Tract No. 1, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine 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 connections 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.

(Continued)

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

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.

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

Bear Valley tract, Tract No. 1, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

RATE

Per Month

For each wharf type 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 ownership, 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.