

ORIGINAL

Decision No. 68910

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE SEA RANCH GAS & WATER COMPANY for a Certificate of Public Convenience and Necessity to operate a public utility water system, and for an order authorizing it to establish rates for water service, and to issue common stock.

Application No. 47070
(Filed October 28, 1964,
Amended December 4, 1964)

O P I N I O N

This application by The Sea Ranch Gas & Water Company, a newly established California corporation, requests a certificate of public convenience and necessity to construct and operate a public utility water system in an area known as The Sea Ranch Unit I, a portion of The Sea Ranch, a development of 5,200 acres which is 1/2 to 1-1/2 miles in width and 9 miles in length bisected by State Highway 1, located in the northwestern corner of Sonoma County along the Pacific Ocean approximately halfway between Point Reyes and Fort Bragg. Unit No. I is to consist of 62 acres for home sites, with 42 acres of open area among the residential lots, 14 acres for a condominium, and 42 acres for shopping and resort lodge facilities. Applicant also requests authority to establish rates and to issue to Oceanic Properties, Inc., (Oceanic), at par 122,000 shares of its \$1.00 par value common stock for a cash consideration of \$122,000.

Applicant is a wholly owned subsidiary of Oceanic which is owned by Castle & Cooke, Inc. Both Oceanic and Castle & Cooke, Inc., are Hawaii corporations. Oceanic is a land development company having projects in Hawaii and California. Applicant's officers are also the officers of Oceanic.

Applicant's initial sources of supply consist of two wells located approximately 1,600 feet north of Unit I, one at elevation 140 feet and the other at 130 feet. Both wells are 8 inches in diameter; one is 71 feet deep, and the other is 63 feet deep. Both wells were test pumped for 74 hours; one produced 35 gpm and the other 30 gpm. Both wells are equipped with 5 hp submersible pumps, each capable of delivering 30 gpm into the system. There are 7 other wells in the area, 6 of which produce very little water. One produces 20 gpm and will be considered as an additional source of water for future use.

The well water will be pumped through approximately 1,640 feet of 6-inch asbestos-cement pipe transmission main to the major portion of the distribution system in Unit I and to a 50,000-gallon steel storage tank to be erected on a site near the northeasterly boundary of the area at approximately 335 feet elevation. Water from this tank is also to be pumped through approximately 1,940 feet of 4-inch asbestos-cement pipe to a 25,000-gallon steel storage tank to be located 800 feet northeast of the subdivision in the hill area at 515 feet elevation. The booster pump is to have a capacity of 15 gpm at 280 feet head and to be automatically controlled by the levels in the 25,000-gallon storage tank. This smaller tank is designed to serve the 14 lots above 300 feet elevation.

The facilities are designed to enable the water to flow from the tanks to customer services on a gravity flow basis when the pumps are not operating, and to provide a minimum 35 psi at any service connection. A single chlorinator is to be installed near the well sites to chlorinate the water from both wells.

The transmission and distribution system is to consist of approximately 8,600 feet of 6-inch, 3,200 feet of 4-inch, and 1,450 feet of 3-inch Class 150 asbestos-cement pipe. Service connections are to be 3/4-inch copper pipes to serve individual residential lots, and 1-inch copper pipes to serve the store and the condominium. There are to be 7 fire hydrants, 3 of which may be used to flush dead-end mains. Three 2-inch blow off valves are to be provided for flushing the dead-end mains in the cul-de-sacs.

Applicant has received a water supply permit dated October 20, 1964, from the Sonoma County Department of Public Health for the 2 wells equipped with pumps.

Exhibit H attached to the application shows a request for a rate of \$10 per service connection per month for residential flat rate service.

The requested general metered service rates are:

| <u>Quantity Rates</u> | <u>Per Meter Per Month</u> |
|---|--------------------------------|
| First 400 cu.ft. or less | \$ 6.00 |
| Next 400 cu.ft., per 100 cu.ft. | .75 |
| Next 2,200 cu.ft., per 100 cu.ft. | .50 |
| Over 3,000 cu.ft., per 100 cu.ft. | .40 |
| <u>Minimum Charge</u> | |
| For 5/8 x 3/4-inch meter | 6.00 |
| For 3/4-inch meter | 7.00 |
| For 1-inch meter | 10.00 |
| For 1 1/2-inch meter | 15.00 |

The proposed rate for fire hydrant service is \$4.00 per month for each 4-inch hydrant.

Applicant also requests the following special condition be included in the residential flat rate and meter rate schedules:

"Any customer prior to resuming service within twelve months after such service was discontinued will be required to pay all charges which would have been billed if service had not been discontinued."

Applicant proposes to furnish service to a proposed store and condominium on a metered basis and to the residential lots on a flat rate basis until the occupancy of residential lots has reached a level which justifies the additional cost of meters.

Applicant proposes to issue to Oceanic 122,000 shares of its \$1 par value common stock for a cash consideration of \$122,000. Of this amount, \$2,187.50 is for working cash; \$2,000 for organization expense; \$636.50 for land; and the balance of \$117,176 reflects the water system facilities. Applicant's articles of incorporation show 1,000,000 shares of one dollar par value stock as the total number of shares authorized.

Results of the staff's investigation are included in a report, dated March 1, 1965, based on a field investigation and examination of the company's records. The report includes operating and financial data and a recommendation that a basic residential flat rate of \$7.00 per month be authorized. The staff's study is hereby included in this record as Exhibit I.

Exhibits J and I attached to the application and Exhibit F attached to the amendment show applicant's estimated annual revenues, at requested rates, expenses and depreciation, using 30 percent, 60 percent, 80 percent and 100 percent of the total designed service connections in Unit I. These estimates (corrected), with staff income taxes are summarized as follows:

| <u>Item</u> | <u>30%</u> | <u>60%</u> | <u>80%</u> | <u>100%</u> |
|-----------------------------------|----------------|----------------|---------------|---------------|
| <u>Operating Revenues</u> | | | | |
| Residence | \$2,232 | \$4,464 | \$5,952 | \$ 7,440 |
| Condominium | 408 | 408 | 408 | 408 |
| Store | 300 | 300 | 300 | 300 |
| Fire Hydrants | 336 | 336 | 336 | 336 |
| Total Revenues | <u>3,276</u> | <u>5,508</u> | <u>6,996*</u> | <u>8,484</u> |
| <u>Operating Expenses</u> | | | | |
| Power and Pumping | 740 | 740 | 780 | 820 |
| Water Treatment | 250 | 250 | 250 | 250 |
| Transmission & Distribution | 500 | 500 | 500 | 500 |
| Customer Acct. & Collection | 360 | 450 | 540 | 594 |
| General Expenses | 1,350 | 1,350 | 1,350 | 1,350 |
| Subtotal | <u>3,200</u> | <u>3,290</u> | <u>3,420</u> | <u>3,514*</u> |
| <u>Other Expenses</u> | | | | |
| Depreciation (at 2.47%) | 2,888 | 2,888 | 2,888 | 2,888 |
| Taxes Other Than Income (a) | 1,360 | 1,360 | 1,360 | 1,360 |
| State Franchise Tax (b) | 100 | 100 | 100 | 100 |
| Federal Income Tax (b) | - | - | - | 137 |
| Subtotal (c) | <u>4,348</u> | <u>4,348</u> | <u>4,348</u> | <u>4,485</u> |
| Total Expenses (c) | 7,548 | 7,638 | 7,768 | 7,999 |
| Net Revenue (Loss) (c) | <u>(4,272)</u> | <u>(2,130)</u> | <u>(772)</u> | 485 |
| Estimated Rate Base at Fifth Year | | | | 107,560 |
| Estimated Rate of Return | | | | 0.45% |

* Corrections in addition.

(a) County taxes were changed by staff engineer to reflect the revised plant cost shown in amendment.

(b) Added by staff engineer.

(c) Corrected to reflect staff engineer's changes and additions.

Applicant's officers are aware that there will be losses during the developmental period. Exhibit K attached to the application shows that Oceanic has agreed to provide funds necessary to finance such losses by means of open account cash advances for a period of five years.

Upon consideration of the evidence, the Commission finds that:

1. Public convenience and necessity require that applicant construct and operate the proposed system.
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 services to be rendered.

4. The money, property or labor to be procured or paid for by the issuance of the stock herein authorized are 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:

1. The application should be granted as set forth in the ensuing order.

2. Applicant should file rules, standard forms, and other tariff sheets as needed to define the conditions of rendering public utility service.

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 The Sea Ranch Gas & Water Company, authorizing it to construct a public utility water system to serve the area known as The Sea Ranch Unit I, as delineated on the map, shown as Exhibit "C," attached to the application herein.
2. Applicant is authorized to file, after the effective date of this order, 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.
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. 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 to this Commission.
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: (a) the tracts of land and territory served; (b) the principal water supply, transmission, storage and distribution facilities; and (c) the various water system properties.

CORRECTION

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THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

O R D E R

IT IS ORDERED that:

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2. Applicant is authorized to file, after the effective date of this order, 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.

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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 to this Commission.

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: (a) the tracts 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. For the year 1965, applicant shall apply a depreciation rate of 2.5 percent to the original cost of depreciable plant. Until review indicates otherwise, applicant shall continue to use this rate. Applicant shall review its depreciation rates at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the remainder by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to the Commission.

7. Within one year after the effective date hereof, applicant may issue not to exceed \$122,000 aggregate par value of its common stock at par for cash, for the purposes set forth in the application, as amended.

8. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, in so far 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 20th day of APRIL, 1965.

Friedrich B. Holaliouff
President

George T. Crover

Augustin

William W. Bennett

Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as The Sea Ranch, and vicinity, located approximately 7 miles southeast of Gualala, Sonoma County.

RATES

| | | <u>Per Meter</u> <u>Per Month</u> |
|-----------------|-----------------------------------|--------------------------------------|
| Quantity Rates: | | |
| First | 400 cu.ft. or less | \$ 6.00 |
| Next | 400 cu.ft., per 100 cu.ft. | .75 |
| Next | 2,200 cu.ft., per 100 cu.ft. | .50 |
| Over | 3,000 cu.ft., per 100 cu.ft. | .40 |

Minimum Charge:

| | | |
|-----|----------------------------|---------|
| For | 5/8 x 3/4-inch meter | \$ 6.00 |
| For | 3/4-inch meter | 7.00 |
| For | 1-inch meter | 10.00 |
| For | 1 1/2-inch meter | 15.00 |

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

SPECIAL CONDITION

1. Any customer prior to resuming service within twelve months after such service was discontinued will be required to pay all minimum charges which would have been billed if service had not been discontinued.

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The area known as The Sea Ranch, and vicinity, located approximately 7 miles southeast of Gualala, Sonoma County.

RATES

| | <u>Per Service Connection Per Month</u> |
|--|---|
| For a single-family residential unit, including premises not exceeding 14,000 sq.ft. in area | \$7.00 |
| a. For each 100 sq.ft. of premises in excess of 14,000 sq.ft. | .01 |

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. 1, General Metered Service.
4. Any customer prior to resuming service within twelve months after such service was discontinued will be required to pay all minimum charges which would have been billed if service had not been discontinued.

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 The Sea Ranch, and vicinity, located approximately 7 miles southeast of Gualala, Sonoma County.

RATE

| | <u>Per Month</u> |
|------------------------|------------------|
| For each hydrant | \$4.00 |

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.