

ORIGINAL

Decision No. 69189

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of DEETER DEVELOPMENT, INC., a)
California corporation, for a)
Certificate of Public Convenience)
and Necessity to construct and)
operate a water distribution)
system.)

Application No. 47229
(Filed January 5, 1965)

O P I N I O N

Applicant requests a certificate of public convenience and necessity to construct and operate a public utility water system in a 40-acre area including a subdivision about 1-1/2 miles southwest of Bishop in Inyo County, California. The initial tract tentatively called Sierra Hills Subdivision, is approximately 20 acres in extent and is located in the southeast quarter of Section 11, Township 7 South, Range 32 East, Mt. Diablo Base and Meridian. A report by an engineer of the Commission's Utilities Division, Hydraulic Branch, dated March 22, 1965 is hereby included in the record as Exhibit 1.

John H. Deeter and Marcella D. Deeter, husband and wife, as joint tenants, are the owners and developers of the requested area. John H. Deeter is also the president of applicant and owner of all of applicant's issued stock.

Deeter Development, Inc., by Decision No. 64982, dated February 19, 1963, in Application No. 44617, was granted a certificate to construct and operate the Deeter Development Water Company in Tract No. 376, near Visalia in Tulare County. The number of customers served in the Visalia system increased from 9 customers at the end of 1963 to 24 customers at the end of 1964.

Applicant's president is also president of John Deeter-Builder. Applicant proposes to maintain its administrative offices at Mr. Deeter's Bakersfield headquarters and to engage a local maintenance man in Bishop. The function of the local maintenance man will be to check and lubricate well equipment and to make routine inspection of the plant; emergency and major repairs will be performed by others. No complaints have been filed with the Commission in regard to applicant's existing operations.

The area for which a certificate is requested comprises approximately 40 acres. The land is at elevation 4,230 and is virtually flat. The 40 acres will ultimately be subdivided into 116 residential lots. The initial 20-acre development consists of 64 lots, and most of the lots are approximately 11,300 square feet in area. The developers do not plan to build houses on the lots.

The water systems closest to this tract are the municipal system of the City of Bishop and the public utility system of Independence Water Company. Both of these water systems are more than one mile from this site. Applicant's president stated that he has contacted executive personnel at these facilities and has been advised that no possibilities exist to obtain water from either of them.

The sources of water supply proposed for this system are two wells to be drilled on Lot No. 48, in the southeast corner of the tract, to a depth of approximately 125 feet. Static water levels in this area are 15 feet below ground. Applicant's engineer estimates that each well will produce approximately 500 gpm, which is comparable to the yield of neighboring wells. The wells will be equipped with multi-staged pumps driven by 30 hp electric motors. Pump bowls will be designed to operate at their maximum efficiency against a pumping level of 20 feet and a service pressure of 60 psi, or a total head of

160 feet. The proposed spacing of the wells is 35 feet. It is likely that there will be interference between the two proposed wells. However, it appears that there will be adequate supplies of water to meet the requirements of this area.

Water will be pumped into a 5,000-gallon pressure tank with controls set to maintain 30 to 50 psi system pressure. The proposed ultimate system is to consist of 2,930 feet of 6-inch and 2,990 feet of 4-inch class 150 asbestos-cement pipe laid primarily in the streets within the tract. Service connections are to be one-inch diameter copper pipe extending from the distribution main to each lot to be served. Two 4-inch hydrants are to be provided within the tract.

Applicant's estimated cost of Utility Plant has been revised to show the adjusted cost of land and corrected lengths of pipe:

Organization	\$ 800.00
Land	570.00
Engineering	<u>500.00</u>
Sub-total	\$ 1,870.00
Water Supply	
Wells 2 @ \$2,500.00	\$ 5,000.00
Pumps 2 @ \$2,600.00 with motor	5,200.00
Tank (5,000 gallon)	<u>2,700.00</u>
Sub-total	\$12,900.00
Main Lines	
(1) 2930' of 6" Cl. 150 A.C. @ 3.00	\$ 8,790.00
(2) 2990' of 4" Cl. 150 A.C. @ 2.50	<u>7,475.00</u>
Sub-total	\$16,265.00
Services:	
116 @ \$30.00	\$ 3,480.00
Main Line Fittings	965.00
Hydrant & Fittings 2 @ \$250.00	<u>500.00</u>
	\$35,980.00

Applicant proposes to pay \$20,645 for organization, land, engineering, water supply, services, main line fittings, hydrants and fittings. A main extension agreement was entered into in which the developer has advanced to applicant the sum of \$16,417.50, to pay for the main lines. Staff estimated that advances for construction should total \$21,210.00, to include the cost of services, fittings and hydrants, in accordance with applicant's filed main extension rule.

The size of the well lot is 35 feet by 141.5 feet which is approximately 5,000 square feet. On the basis of \$5,000 per acre, which is Mr. Deeter's cost, the land cost of the well lot should be \$570, rather than the \$1,500 applicant had originally shown.

Applicant has requested that a flat rate of \$4.35 per month per single family residence, including premises not exceeding 10,000 square feet in area, be authorized, with an additional charge of three cents for each additional 100 square feet of lot area. For a lot of 11,300 square feet the monthly bill would be \$4.74 per month.

Applicant has also requested that the following schedule of rates for general metered service be authorized:

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu.ft. or less . . .	\$ 3.65
Next 2,000 cu.ft., per 100 cu.ft.25
Next 2,000 cu.ft., per 100 cu.ft.18
Next 5,000 cu.ft., per 100 cu.ft.15
Over 10,000 cu.ft., per 100 cu.ft.12
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.65
For 3/4-inch meter	4.35
For 1-inch meter	6.75
For 1½-inch meter	11.75
For 2-inch meter	17.00

Applicant expects to furnish service primarily on a flat rate basis through service connections not larger than one inch in diameter. Based on statistics furnished by the City of Bishop, it is expected that the average residential customer in this area may use approximately 1,700 cubic feet per month. The monthly \$4.35 flat rate charge requested would purchase approximately 1,300 cubic feet per month under the proposed metered rates. Applicant requests that a fire hydrant rate of \$2.00 per hydrant per month be established.

A revised summary of applicant's estimate of revenues and expenses and estimated rate of return was submitted to the staff by applicant and, as revised by the staff, is shown below:

Operating Revenues

116 lots @ \$4.74 per month x 12 months \$6,598

Expenses, Depreciation and Taxes

Operating and Maintenance Expense 2,450

Depreciation 1,028

Taxes 970

Total \$4,448

Net Revenue \$2,150

Rate Base \$19,715

Return on Investment 10.9%

(Applicant's computation of investment did not deduct subdivider advances. The staff engineer has also revised the revenue estimate from \$4.50 per month to \$4.74 per month, since the lots are 11,300 square feet, or more, so that the staff's estimate of annual revenue is \$6,598. Applicant's proposed depreciation accrual was \$1,200. On the basis of the total depreciable plant of \$34,262 this accrual reflects a depreciation rate in excess of 3.5 percent. For purposes of this report a composite rate of 3 percent was used by the staff.)

Since the rate of development is expected to be slow, the return indicated above may take several years for full realization. Applicant's proposed rates for service are reasonable.

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 rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.
4. 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.
5. Applicant has not yet procured a permit from the public health authority having jurisdiction.
6. Applicant has not complied with its filed main extension rule and should be required to do so.

The Commission concludes that the application should be granted as provided by the following order.

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 proceedings for the purpose of determining just and reasonable rates.

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.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to applicant, Deeter Development, Inc., authorizing it to construct a public utility water system to serve the area known as Sierra Highlands as delineated on Exhibit "B" attached to the application herein.
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 is authorized to file the schedules of rates set forth in Appendix A to this order, together with revised tariff sheets, including a tariff service area map clearly indicating the boundaries of the area certificated herein. Such filings shall comply with General Order No. 96-A.
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 shall submit written notice thereof to this Commission.
5. 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.
6. 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 of its Bishop Tariff Area, 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.

7. Within ten days after the wells have been tested applicant shall furnish the Commission a copy of the report on pump test results and of the well logs.

8. Installation of mains, services, fittings and hydrants in the area certificated herein shall be financed by advances in accordance with applicant's main extension rule.

9. Beginning with the year 1965, applicant shall determine depreciation accruals for its Bishop system 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.

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

Dated at San Francisco, California, this 8th day of June, 1965.

Frederick B. Holbrook
President

George H. Hoover

Augustin

William B. Bennett
Commissioners

APPENDIX A
Page 1 of 3

Schedule No. BI-1

Bishop Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Sierra Highlands, and vicinity, located approximately one and one-half miles southwest of Bishop, Inyo County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
<u>Quantity Rates:</u>	
First 1,000 cu.ft. or less	\$ 3.65
Next 2,000 cu.ft., per 100 cu.ft.25
Next 2,000 cu.ft., per 100 cu.ft.18
Next 5,000 cu.ft., per 100 cu.ft.15
Over 10,000 cu.ft., per 100 cu.ft.12
<u>Minimum Charge:</u>	
For 5/8 x 3/4-inch meter	3.65
For 3/4-inch meter	4.35
For 1-inch meter	6.75
For 1 1/2-inch meter	11.75
For 2-inch meter	17.00

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

APPENDIX A
Page 2 of 3

Schedule No. BI-2R

Bishop Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The area known as Sierra Highlands, and vicinity, located approximately one and one-half miles southwest of Bishop, Inyo County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For a single-family residential unit, including premises not exceeding 10,000 sq. ft. in area	\$4.35
For each 100 sq. ft. of premises in excess of 10,000 sq. ft.03

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 or the customer so elects, a meter shall be installed and service provided under Schedule No. BI-1, General Metered Service.

Schedule No. BI-5

Bishop Tariff Area

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 Sierra Highlands, and vicinity, located approximately one and one-half miles southwest of Bishop, Inyo County.

RATE

Per Month

For each wharf-type hydrant \$2.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. BI-1, General Metered Service.
2. The cost of installation and maintenance of hydrants shall be borne by the utility.
3. Relocation of any hydrant shall be at the expense of the party requesting relocation.
4. 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.
5. 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.