

ORIGINALDecision No. 69694

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of BRENTWOOD PARK WATER CO.,)
 a California corporation, to extend)
 public utility water system into non-)
 contiguous territory (and construct)
 facilities re extension) and for devia-)
 tion from Rule No. 15, Main Extensions.)

Application No. 47487
 Filed April 9, 1965

O P I N I O N

Brentwood Park Water Co., a corporation, seeks (1) a certificate of public convenience and necessity authorizing it to construct an extension of its present water system, and (2) authority to deviate from certain provisions of its filed main extension rule. A Commission staff report, hereby received in the record as Exhibit No. 1, presents the results of a study of the application, an examination of applicant's accounting records, a field investigation of the existing facilities and proposed service area, and a conference with applicant's president and with its engineer.

Present and Proposed Areas

Applicant's present service area consists of Brentwood Park Subdivision No. 1 and adjacent territory, located about one mile west of Twain Harte, Tuolumne County. Applicant was granted a certificate by Decision No. 63548, dated April 10, 1962, in Application No. 43911, to construct a water system to serve 80 lots in Brentwood Park. Subsequent extensions were made by applicant into contiguous territory. Within the present service area, there are 322 lots, of which only 27 are occupied and receiving water service, all on a flat-rate basis.

The additional area proposed to be served by applicant consists of Goldmont Forest Subdivision, located about 4,400 feet south of applicant's present service area, and the property immediately adjacent to the transmission main to be installed between Brentwood Park and Goldmont Forest. The new subdivision consists of 125 acres of land, subdivided into 195 residential premises. There are approximately 18 residences along the route of the transmission main.

Exhibit No. 1 states that there are no public utility water systems that provide service in the immediate area of Goldmont Forest. The nearest other public utility water system operating under the jurisdiction of the Commission is Cedar Ridge Water Company, located about three miles to the north. Tuolumne County Water District No. 1 provides service in the area of Twain Harte, which service area is about one mile from applicant's present and proposed service areas. Exhibit J, attached to the pleading herein, shows that the water district does not intend to extend its service area into Goldmont Forest.

Proposed Construction

The transmission main to Goldmont Forest will consist of 4,400 feet of 10-inch main. The application shows that an 8-inch transmission main is sufficient to serve the subdivision but a 10-inch main is to be constructed to allow for growth in the area along the main and at its southern terminus.

The subdivision distribution system will consist of 15,600 feet of 2-inch, 4-inch, 6-inch and 10-inch mains, to which 1-inch double services and 3/4-inch single services will be connected. Exhibit No. 1 states that the proposed construction will be substantially in accordance with General Order No. 103.

Water Supply and Requirements

The source of supply for applicant's present and proposed service area is the Tuolumne Main Canal of Pacific Gas and Electric Company (Pacific). This canal also serves several other public utility water systems, mutual water companies and city-owned water systems. Applicant and Pacific recently entered into a revised contract, a copy of which is hereby received in the record as Exhibit No. 2. This contract provides for triple the former maximum delivery rate of 10 miner's inches (112 gpm).

Applicant filters and chlorinates the canal water and stores it in two 10,000-gallon tanks, whence it is delivered to the distribution system. Exhibit No. 1 states that, with an additional 10,000 gallons of storage capacity proposed to be installed by applicant, during 1965, the treatment and storage facilities will be sufficient to serve 85 customers during a 4-hour maximum demand period. Applicant proposes to increase progressively the filter capacity as customers are added, and to add a minimum of 100,000 gallons of storage capacity in Goldmont Forest. Exhibit E, attached to the pleading herein, shows that a 1,500,000-gallon earthen reservoir (now used to collect filter wash water) would provide adequate emergency storage in the event of a temporary interruption of the canal supply.

Franchise and Permits

A Water Supply Permit for the source of supply was issued by the Health Department on November 8, 1963. The county does not require a franchise for the operation of a water system.

Rates

Applicant proposes to apply its present rates for service to be furnished in Goldmont Forest and along the transmission main.

The presently filed flat rate is \$52 per year for a single-family residential unit and \$40 per year for each additional single-family residential unit on the same premises. The presently filed annual meter rates provide for 5/8 by 3/4-inch meter service at a rate of \$39, which includes an allowance of 800 cubic feet of water per month. Additional quantity rates and rates for meters of larger sizes are also shown in the schedule.

Financing

Robert B. Bates and his wife, Erldean J. Bates, own all of applicant's outstanding common stock and 90 percent of the stock of Robert B. Bates, Inc., the subdivider and developer of most of applicant's present service area and proposed developer of Goldmont Forest.

As of December 31, 1964, applicant's ratio of advances for construction to net utility plant exceeded 50 percent, the limit set forth in applicant's filed Main Extension Rule:

Net Plant	\$111,671
Advances for Construction	87,222
Percent Advances to Net Plant	78.1%

Included in the foregoing tabulation are advances by affiliated subdividers in the amount of \$69,488. The high percentage of advances to net plant resulted from approval of a previous request for a deviation (Commission Resolution No. W-950, dated June 23, 1964). The resolution approved applicant's proposal to defer refunds on advances related to main extension agreements with affiliates as long as the outstanding advance contract balances under the main extension rule exceeded 50 percent of the total net plant. Advances payable to nonaffiliated subdividers represent only 15.9 percent of net plant.

Subject to authorization of this Commission, applicant and Robert B. Bates, Inc., have entered into an agreement, Exhibit O

attached to the pleading, providing for extension of applicant's distribution system into Goldmont Forest. The agreement deviates from applicant's filed main extension rule in the following respects:

1. It is not in the form prescribed by applicant's tariffs.
2. It provides for a main extension even though applicant's outstanding advance contract balances exceed 50 percent of net plant.
3. A tank site is to be contributed to applicant by subdivider.
4. Subdivider agrees to treat any and all refunds of advances with respect to the \$91,400 proposed Goldmont Forest extension and the previous \$69,488 Brentwood Park extensions in such manner as shall be directed by the Commission.
5. The agreement provides that, if required by the Commission, subdivider will guarantee that sufficient funds to finance needed increased treatment and storage facilities will be provided and, further, that subdivider will pay net out-of-pocket operating losses and property taxes attributable to Goldmont Forest.

There are two potential dangers which should be reviewed before a water utility is allowed to expand after having reached the 50 percent level of advances. These are:

1. The utility may be extending into territory where very few customers will ever be served.
2. The utility may be unable to obtain the cash needed to make refunds when due.

In regard to customer density, the subdivider's offer to pay net out-of-pocket operating losses and property taxes attributable to Goldmont Forest would protect applicant and its customers from the adverse effects of insufficient water revenues from the new development.

The danger of potential cash deficiencies can be alleviated by requiring applicant to defer refunds payable to its affiliated subdivider and to accrue those refunds, as they become due under applicant's main extension rule, in Account No. 212, Advances from Associated Companies. Final disposition of those refunds can then await a showing that such disposition will not impair applicant's financial position.

In Exhibit No. 1, the Commission staff points out that applicant's equity capital represents less than 15 percent of total capitalization (including advances for construction as part of the capital structure) and recommends that the proportion of equity capital be increased by the issue of additional common stock in payment for certain facilities. Authorization for the issue of such securities is not before the Commission in this proceeding but applicant should give consideration to applying for permission to issue common stock when it requests authority to dispose of unpaid refunds accrued in Account No. 212.

Findings and Conclusion

The Commission finds that:

1. Public convenience and necessity require the extension of applicant's water system to serve the area requested herein.
2. Applicant's proposed facilities and high level of advances will not permit unlimited future expansion.
3. It is fair and reasonable for applicant to charge the same rates in the requested area as it charges in its present area.
4. Under the financing arrangement authorized herein, applicant has the financial ability to extend its water system into the requested area.

5. The terms and conditions of applicant's water supply contract with Pacific Gas and Electric Company are not adverse to the public interest.

6. The facilities proposed to be installed for applicant are adequate to serve the requested area and are substantially in accordance with General Order No. 103.

7. The proposed additions will require revision of applicant's system maps to bring them up-to-date.

8. The terms and conditions of the main extension agreement proposed by applicant, as authorized herein, together with the deviations from applicant's main extension rule incorporated therein, are not adverse to the public interest.

9. The depreciation rates recommended by the staff in Exhibit No. 1 are reasonable.

10. A public hearing is not necessary.

The Commission concludes that the application should be granted to the extent, and under the conditions, set forth in the order which follows:

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to applicant, Brentwood Park Water Co., authorizing it to construct an extension of its public utility water system to serve Goldmont Forest Subdivision in Tuolumne County as shown on Exhibit G attached to the application and to serve the area within 200 feet of the transmission main connecting the existing system with Goldmont Forest.

2. Applicant shall not extend service outside of its present service area and its certificated areas, nor file any revised tariff

service area map indicating its willingness to so extend service, without first having obtained authorization therefor by further order of this Commission.

3. After the effective date of this order, applicant is authorized to file revised tariff sheets, including tariff service area maps, to provide for the application of its present tariff schedules to the area certificated herein. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

4. Exercise by applicant of the authority granted by paragraph 3 of this order shall constitute acceptance by it of the right and obligation to furnish public utility water service within the area certificated herein. The authorities granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

5. Applicant is authorized to carry out the terms and conditions of the water supply agreement, Exhibit No. 2 herein, with Pacific Gas and Electric Company.

6. 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.

7. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within thirty days after the water system extension is placed in operation under the authority granted herein, applicant shall file with the Commission two copies of the map.

8. If the certificate granted herein is exercised, applicant is authorized and directed to carry out the terms and conditions of the main extension agreement, Exhibit 0 to the pleading herein, with

Robert B. Bates,,Inc. (affiliate), to deviate from applicant's filed main extension rule to the extent set forth in the agreement, provided:

- a. Pursuant to the stipulation in paragraph 4 of the agreement, refunds payable to affiliate under this and prior main extension contracts shall be determined in accordance with applicant's main extension rule, shall be accrued in applicant's Account No. 212, Advances from Associated Companies, and shall not be disposed of without further order of this Commission.
- b. Pursuant to the stipulation in paragraph 7 of the agreement, affiliate will guarantee that sufficient funds to finance needed increased capacity of the water treatment plant and back-up storage of applicant will be provided and, further, that affiliate will agree to pay net out-of-pocket operating losses and property taxes attributable to Goldmont Forest.

9. For the year 1966, applicant shall apply the depreciation rates set forth in Table No. 1 of Exhibit No. 1. Until review indicates otherwise, applicant shall continue to use these rates. Applicant shall review its depreciation rates at intervals of three years and whenever a major change in depreciable plant occurs. Any revised depreciation rates shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant, (2) dividing the result 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.

The effective date of this order shall be twenty days after the date hereof. ^{San Francisco}

Dated at _____, California, this 21st day of September, 1965.

Fredrick B. Haldeff
President

John E. Baker

George J. Trover

Augusta

William L. Berndt
Commissioners