

**ORIGINAL**

Decision No. 70948

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of JACKSON WATER WORKS, INC., for )  
Authority to Extend its Facilities )  
and to Deviate from the Main )  
Extension Rule for Water Utilities.)  
Applicant )

Application No. 48282  
(Filed March 3, 1966)

O P I N I O N

Jackson Water Works, Inc. (Utility) seeks authority to extend its facilities under terms which deviate from its filed main extension rule.

The Commission staff has prepared a report presenting the results of a field investigation and study of the application. A copy of the staff report is hereby received as Exhibit No. 1. The staff obtained from Utility a copy of a contract between the City of Jackson (City) and Amalgamated Securities Company (Developer). That contract is referred to as Exhibit "D" in the agreement between Utility and Developer, et al, a copy of which is attached to the application. The copy of the contract between City and Developer is hereby received as Exhibit No. 2.

Present and Proposed Areas

Utility provides water service to some 1,017 customers in the City of Jackson, Amador County, and unincorporated territory adjacent thereto.

The proposed additional service area, shown on the map attached to the application, is known as the Jackson Highlands Addition. It was annexed to the City of Jackson in October, 1964. About 42 acres of the area is subdivided into large parcels to

accommodate a trailer court, a group of apartment houses, and a group of commercial buildings. In addition, there are 27 acres subdivided into 72 residential lots averaging 10,000 square feet in area. The developers expect to sell only vacant lots. There are no other water systems with which the proposed extension is likely to compete.

#### Proposed Construction

The off-tract facilities required to connect the proposed distribution system to Utility's existing distribution mains consist of two 8-inch connecting mains. One will be approximately 1,100 feet long; the other will be approximately 3,000 feet long.

The in-tract facilities consist of 850 feet of 8-inch, 6,900 feet of 6-inch, and 2,054 feet of 4-inch mains. Services in the residential section will be 36 one-inch copper pipes branching to individual 3/4-inch services. Utility plans to install 120 5/8 x 3/4-inch meters. Service pipes for the large parcels will be provided as needed. Water for fire protection will be provided by means of 18 hydrants.

Exhibit No. 1 states that the facilities to be installed to serve the proposed extension meet the requirements of General Order No. 103.

#### Financing

The contract, a copy of which is Exhibit No. 2, between City and Developer provides that City will pay \$83,000 from the sale of assessment bonds for installation of the in-tract and off-tract facilities. The contract also provides that any balance remaining in excess of costs shall be used by Utility to improve and enlarge its major transmission, storage and water supply facilities. City is to acquire "rights of service and use of the facilities" but will not own those facilities.

The agreement, a copy of which is attached to the application, between Developer, et al, and Utility provides that, among other things, the facilities financed by the aforementioned sale of assessment bonds will be owned by Utility. This provision, together with the terms of the contract between City and Developer should preclude any future dispute over title to the facilities.

The estimated costs of facilities to be installed to serve the subdivision are shown in Exhibit No. 1 and are as follows:

Immediate Construction		
In-tract facilities (excluding meters)	\$45,000	
Off-tract connecting main (in Highway 49)	<u>6,000</u>	
Subtotal immediate construction		\$51,000
Delayed Construction		
Off-tract connecting main (in Broadway St.)	15,000	
Meters	<u>4,080</u>	
Subtotal delayed construction		<u>19,080</u>
Total Cost of Extension		\$70,080

Applicant proposes to go forward with the completion of facilities to serve the subdivision, except for a delay in the investment in meters and the off-tract connecting main in Broadway Street. This will result in the immediate expenditure of \$51,000 for facilities directly related to the subdivision and will provide \$32,000 to cover part of the improvements not directly related to the subdivision. Applicant intends to arrange for corporate financing and installation of the meters and the Broadway connection when the need arises.

Estimated costs of planned improvements not directly related to the subdivision construction, as set forth in Exhibit No. 1, are:

Land	\$ 8,500
Excavation	8,000
Gumite (two reservoirs)	6,000
Chlorine facilities	4,000
Alum and soda ash facilities	5,000
Fence	<u>4,800</u>
Total	\$36,300

Paragraph XII of the application states that the \$83,000 estimated cost will be deposited with Utility, in cash, in trust, for the purposes set forth in the agreement between Utility and Developer and that Utility will record the \$83,000 as a contribution. Utility's intention to record the \$83,000 proceeds from the sale of assessment bonds as a contribution in aid of construction is consistent with the findings set forth in three recent Commission decisions<sup>1/</sup> which relate to assessment bond financing of water facility installations.

#### Rates

Utility proposes to apply its present rates in the Jackson Highlands Addition. Although the customer density in such lot-type subdivisions could be low for several years, the lower rate base, lower depreciation expense and improved cash flow resulting from the contributed plant should, in this case, offset the effects of a possible delay in full utilization of the new facilities. With the proposed interconnection of present and future mains, establishment of a separate zone rate for the new area does not appear to be warranted.

#### Findings and Conclusion

The Commission finds that:

1. It is fair and reasonable for Utility to charge the same water rates in the Jackson Highland Addition to the City of Jackson as it charges in its present service area.
2. The deviations from Utility's main extension rule discussed herein are not adverse to the public interest.

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<sup>1/</sup> Decision No. 67109, dated 4-21-64, in A-46976, Meyers Water Company.  
 Decision No. 68557, dated 2-9-65, in A-46813, Royal Oaks Water System.  
 Decision No. 69809, dated 10-14-65, in A-47288, Clear Creek Water Company.

3. The proposed construction will require revision of Utility's system maps to keep them up-to-date.

4. A public hearing is not necessary.

The Commission concludes that the application should be granted as set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Jackson Water Works, Inc. (Utility) is authorized to file revised tariff sheets, including tariff service area maps, to provide for the application of its present tariff schedules to the Jackson Highlands Addition, of the City of Jackson. 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.

2. Within a two-year period after the effective date of this order, Utility may deviate from its filed main extension rule in providing facilities which directly and indirectly will serve the Jackson Highlands Addition, to the following extent and under the following conditions:

- a. Utility may carry out the terms of its agreement, dated January 31, 1966, with Amalgamated Security Company (Developer), et al, whereby Utility will be paid \$83,000 from the proceeds of the sale of certain assessment bonds by the City of Jackson, such \$83,000 to cover the cost of facilities which directly or indirectly will serve the Jackson Highlands Addition.
- b. Applicant shall record the \$83,000 proceeds for the water system from the sale of assessment bonds as a credit to Account No. 265, Contributions in Aid of Construction.

- c. Within thirty days after the completion of construction of the extension to serve the Jackson Highlands Addition, applicant shall file with this Commission a summary list of contracts and deviations, showing the contract and deviation referred to in the foregoing subparagraph 1.a.
- d. Within ninety days after the completion of construction of the extension to serve the Jackson Highlands Addition, applicant shall file in this proceeding a report of its expenditures from the \$83,000 assessment bond funds, showing the amounts charged to each plant account and a description of any facilities financed from bond funds and not directly connected to the facilities serving the Jackson Highland Addition.

3. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within ninety days after all water system additions and improvements financed by Jackson Highlands assessment bonds have been completed, applicant shall file with the Commission two copies of this map.

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

Dated at San Francisco, California, this 12<sup>th</sup> day of 1 JULY, 1966.

*John E. Mitchell* President  
*George L. Grover*  
*Fredrick B. Hallock*  
*Morgan*  
*William B. Bennett* Commissioners