

ORIGINALDecision No. 71502

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

The Application of Cal-Oaks Water Company, a California corporation, (1) for a certificate of public convenience and necessity to construct and operate a Public Utility Water System in Monterey County, (2) for authorization to issue securities, and (3) to establish rates for service.

Application No. 48410

O P I N I O N

Cal-Oaks Water Company, a corporation, seeks (1) a certificate to construct a public utility water system, (2) a certificate to exercise the rights and privileges of a county franchise, (3) authority to issue securities, and (4) authority to establish rates. A Commission staff report, hereby received as Exhibit No. 1, presents the results of a study of the application and of field investigations made in connection therewith.

Service Area

The area for which a certificate is requested is located immediately north of State Route 156, about 3 miles east of Castroville, Monterey County. It is to be developed into a 247-acre planned residential community to be known as "Oakhills," consisting of about 400 residential lots, a commercial area, recreational grounds, community center and some undeveloped open area. Under plan for immediate development are Units 1 and 2 of Oakhills Subdivision, consisting of approximately 123 residential lots.

The nearest existing water systems are a small mutual water company and a water district furnishing service in the community of Castroville.

Proposed Water System

Sources of supply are to be wells drilled at various locations within the service area. One well was drilled within the proposed Unit 1 of the development and was test pumped at up to 1,000 gpm. This well is to be equipped with a pump to lift water into an adjacent storage tank. From this tank, water will be delivered to the distribution system by means of two pumps boosting into a hydropneumatic tank with controls set to maintain a minimum of 35 psig at the highest point in the distribution system. The second well, to be drilled and equipped after development commences, is to be located at the northeast corner of Unit 1. The staff states in Exhibit No. 1 that this production will be ample to serve the initial planned development. A third well is planned for the ultimate future development.

The initial distribution system, designed to serve 123 lots in Units 1 and 2 and also to serve 27 proposed lots on the south side of Charter Oak Drive, will consist of approximately 10,600 feet of 8- and 6-inch pipe, laid primarily in streets. Service pipes are to be 1 inch in diameter branching to two services at the individual lot lines. A few single service pipes may be required. The system as designed and planned complies with this Commission's General Order No. 103.

Franchise and Permit

Applicant alleges that it has filed an application with the Board of Supervisors of Monterey County for a franchise. The terms of that franchise will not be known until such time as it is granted. Applicant also alleges that it has applied for a permit by the Monterey County Health Department to supply water for domestic and commercial purposes.

Rates and Earnings

The rate schedules proposed in the application provide for general metered service and fire hydrant service. In Exhibit No. 1, the staff took no exception to the proposed charges, other than to propose a more standard format. Applicant's proposed rates, modified only as to format, are authorized as set forth in Appendix A to the order herein. The fire hydrant monthly rates of \$4 and \$6, respectively, for 4- and 6-inch hydrants are somewhat higher than those usually authorized. The water system is designed with oversized mains to provide fire flows, however, and there will also be pumping and storage capacity in excess of the requirements for other than fire protection. It appears that in this instance the greater fixed charges properly allocable to fire protection service justify higher than usual rates.

Applicant and its proposed stockholder are aware that the proposed rates may not produce sufficient revenue to cover operating expenses until the fifth year of operation. Applicant's estimated operating results, modified to deduct subdividers' construction advances from rate base, indicate a rate of return of about 3 percent by the time the proposed area is fully developed.

Financing

Applicant proposes to finance the installation of facilities to serve the initial development by the sale of 1,400 shares of common stock at its par value of \$100 per share to the subdivision developer, Monterey Savings and Loan Association. Subsequent plant additions are to be financed by subdividers' construction advances in accordance with the main extension rule prescribed by this Commission. The subdivision developer proposes to operate the system and absorb initial losses as a necessary part of the subdivision operation.

In Exhibit No. 1, the staff takes exception to the \$9,500 estimated cost of the approximately 1-1/2 acres total area of well and tank sites, because it is not based upon the cost of bare land plus an allocation of all improvements excluding the water system. Actual cost on that basis cannot be determined until the improvements are installed, but any difference between estimated and actual cost can appropriately be utilized by applicant as working cash.

Findings and Conclusions

The Commission finds that:

1. Public convenience and necessity require the construction of a water system to serve the certificated area requested by applicant.
2. The rates and charges authorized herein are reasonable and will not produce in excess of a reasonable rate of return on applicant's investment in utility plant.
- 3.a. Applicant has the financial ability to construct and operate a water system to serve the requested certificated area, of which Units 1 and 2 plus 27 lots on the south side of Charter Oak Drive shall be considered the initial development to which, in this case, the main extension rule to be filed by applicant shall not apply.
- b. The facilities proposed to be installed by applicant are adequate to serve the requested area and will conform to the requirements of General Order No. 103.
4. Applicant should be required to advise this Commission of any differences between the system as planned and as actually constructed.
5. Applicant's proposed initial depreciation rate of 3 percent is reasonable.

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

The Commission concludes that the application should be granted to the extent set forth in the order to follow. In issuing our order herein, we place applicant and its shareholder 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.

When applicant has presented, as late-filed Exhibit No. 2 herein, a copy of the franchise to be issued by the Board of Supervisors of Monterey County, the Commission will issue a certificate of public convenience and necessity authorizing applicant to exercise such franchise upon such terms and conditions as the Commission may designate.

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 applicant Cal-Oaks Water Company, a corporation, authorizing it to construct a public utility water system to serve the Oakhills development consisting of about 247 acres, Monterey County, as outlined in red on Exhibit B attached to the application.

2. After the effective date of this order, applicant is authorized to file the schedules of rates set forth in Appendix A to this order, a tariff service area map 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. The tariff schedules shall become effective on the fourth day after the date of filing.

3.a. Exercise by applicant of the authority granted by paragraph 2 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.

b. 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.

4. Applicant shall prepare and keep current the system map required by Paragraph I.10.a. of General Order No. 103. Within 30 days after the water system is placed in operation under the authority granted herein, applicant shall file with this Commission two copies of such map.

5. Beginning with the year 1966, applicant shall apply a depreciation rate of 3.0 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 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.

6.a. Within one year after the effective date of this order, applicant may issue not to exceed \$140,000 aggregate par value of its common stock for the purposes specified in this proceeding, this stock to be issued to Monterey Savings and Loan Association.

b. Applicant shall file with the Commission a report or reports as required by General Order No. 24-B, which order, insofar as applicable, is hereby made part of this order.

c. As plant costs are incurred, applicant shall record them in the plant accounts as specified in the Uniform System of Accounts for Class D Water Utilities (effective January 1, 1966). The costs recorded in Ac. 306, Land, shall include bare land costs plus improvements exclusive of the water system costs, allocated on an acreage basis.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 1st day of NOVEMBER, 1966.

[Signature]
President

George A. Crover

Fredrick B. Hollihoff

Augustus

[Signature]
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Oakhills, and vicinity, located immediately north of State Highway 156, approximately 3 miles east of Castroville, Monterey County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less	\$ 6.00
Next 1,000 cu.ft., per 100 cu.ft.40
Over 2,000 cu.ft., per 100 cu.ft.30
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 6.00
For 3/4-inch meter	8.00
For 1-inch meter	10.00
For 1 1/2-inch meter	13.00
For 2-inch meter	16.00
For 3-inch meter	28.00
For 4-inch meter	42.00
For 6-inch meter	64.00

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

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 Oakhills, and vicinity, located immediately north of State Highway 156, approximately 3 miles east of Castroville, Monterey County.

RATE

	<u>Per Month</u>
For each 4-inch hydrant	\$4.00
For each 6-inch hydrant	5.00

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. Cost of installation and maintenance of hydrants will be borne by the utility except when borne by a subdivider pursuant to utility's main extension rule.

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 public authority which is to be responsible for payment of monthly charges. Such authorization shall designate the type and the size of hydrant and 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.