

ORIGINAL

Decision No. 72099

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
HERBERT E. WALTZ, an individual, dba
Lilac Terrace Water Company for a
certificate of public convenience
and necessity to operate and improve
a public utility water system near
Twain Harte in Tuolumne County, and
to establish rates for service.)

Application No. 48580
Filed June 24, 1966

Herbert E. Waltz, in propria persona.
John D. Reader, for the Commission staff.

O P I N I O N

Herbert E. Waltz, doing business as Lilac Terrace Company, requests a certificate of public convenience and necessity to construct a public utility water system near Twain Harte, Tuolumne County. He also requests authority to increase rates.

A public hearing was held before Examiner Daly on January 26, 1967, at Sonora, and the matter was submitted. Although all customers of the existing service were notified and notice of the hearing was published in a paper of general circulation, no appearance was made in protest to the application.

Applicant inherited the water system properties from his father who commenced the Lilac Terrace Subdivision in 1947. The system had not been certificated by the Commission.

The service area covers 39.3 acres and consists of 86 lots in Lilac Terrace Subdivision and 11 other parcels. The latter border the subdivision and approximate 10.5 acres. As of July 26, 1966,

applicant was serving 26 customers on a flat rate basis of \$2 per month. Although applicant originally requested authority to establish a tariff rate of \$4.75 per month, he amended this proposal during the course of the hearing so as to seek \$3.50, the rate recommended by the Commission staff.

Water is supplied from the Soulsbyville Ditch, which is part of the Tuolumne Ditch System, and is located just southeast of the service area. Water from the ditch flows by means of gravity into a 4 by 4 by 20-foot wooden settling basin, then through 40 feet of 4-inch black steel pipe to two 4,200-gallon covered steel storage tanks. For the most part the lots are served by gravity, with the exception of 24 lots at a higher elevation, which are served by a 1-hp pump and a 30-gallon pressure tank. At the present time the water is neither filtered nor chlorinated. Applicant also has a contract with Pacific Gas and Electric Company to purchase up to 2 miner's inches of untreated water.

Although the present facilities appear adequate to serve the existing customers they would not be adequate to meet the demands of the area if fully developed. To meet the future needs applicant proposes to install a rapid-sand filter, a chlorinator, an additional 45,000-gallon redwood tank, two 2-1/2-hp booster pumps, a 560-gallon pressure tank, a new intake main and an equipment building.

Approximately one-half of the existing and proposed distribution mains do not meet the requirements of General Order No. 103 relating to pipe coating and maximum length of small diameter pipelines. According to applicant, he wishes to use the remaining unwrapped pipe on hand, but it is his intention, in the future, to use wrapped pipe on all extensions and replacements. The staff

recommended that applicant be placed on notice that extraordinary maintenance or premature replacement costs occasioned by the installation of the unwrapped 4-, 4-1/2- and 6-inch steel water mains will not be considered by the Commission as justification for increased rates in future proceedings. The staff further recommended that applicant be placed on notice that the Commission will expect him, within five years, to install supplementary piping or to replace the existing pipes, less than three inches in diameter, which do not conform with the requirements of Section III.2.a of General Order No. 103. The staff recommendations are adopted.

To date applicant has not obtained a water supply permit from the Tuolumne County Department of Public Health. The record discloses that applicant does not maintain formal books of account setting forth the utility plant investment and operating results. Following an investigation and study of the facilities, the staff estimated the net utility plant original cost to be \$7,174. The staff made no allowance for land or intangible plant value, but indicated that applicant should be permitted to record such costs when ascertained. Although applicant proposes additional improvements in the amount of \$15,451.50, his method of financing is not definite and the staff was unable to make any recommendations with respect to rates reflecting these improvements.

The staff's estimate of applicant's operating results for the year 1968, based on present and proposed rates, is as follows:

| Item | Rate | |
|--|----------|----------|
| | Present | Proposed |
| Flat Rate per Month | \$ 2 | \$ 3.50 |
| Number of Customers | 50 | 50 |
| Unmetered Water Revenue | \$ 1,200 | \$ 2,100 |
| Total Expenses, Taxes and Depreciation | 1,435 | 1,545 |
| Net Revenue | (235) | 555 |
| Average Rate Base | | |
| Utility Plant | 12,930 | 12,930 |
| Allowance for Intangibles | 200 | 200 |
| Allowance for Land | 2,000 | 2,000 |
| Allowance for Working Capital | 100 | 100 |
| Depreciation Reserve | (6,470) | (6,470) |
| Average Rate Base | 8,760 | 8,760 |
| Rate of Return | - | 6.3% |

(Red Figure)

After consideration the Commission finds that public convenience and necessity require the certificated authority requested and that the adjusted rates herein authorized are just and reasonable.

ORDER

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Herbert E. Waltz, doing business as Lilac Terrace Water Company, authorizing him to construct and operate a public utility water system to serve Lilac Terrace Subdivision and vicinity, Tuolumne County, as shown on the map, Exhibit A, attached to the application.

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 the date service is first rendered to the public under authority granted herein, applicant shall submit written notice thereof to this Commission.

5. 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 is placed in operation under the authority granted herein, applicant shall file with the Commission two copies of such map.

6. For the year 1967, applicant shall apply a depreciation rate of 3.7 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 this Commission.

7. Applicant shall set up formal books of account in accordance with this Commission's prescribed Uniform System of Accounts for Class D Water Utilities and record therein the plant account balances and related reserves for depreciation balance as of January 1, 1967 as shown in the tabulation contained in paragraph 17 of Exhibit No. 2.

8. Applicant shall determine the original cost of organization expense and land devoted to utility operations and shall charge such cost to the appropriate plant accounts.

9. Within thirty days after the effective date of this order applicant shall make application to the Tuolumne County Department of Public Health for a water supply permit and shall notify this Commission in writing within five days thereafter.

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

Dated at San Francisco, California, this 28th day of FEBRUARY, 1967.

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner A. W. Gatev, being necessarily absent, did not participate in the disposition of this proceeding.

William B. Bennett
President
William S. Jones, Jr.
Neil P. Morrissey
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Lilac Terrace Subdivision and vicinity, southwest of Twain Harte,
Tuolumne County.

RATES

Per Meter
Per Month

Quantity Rates:

| | | |
|-------|-----------------------------------|--------|
| First | 750 cu.ft. or less | \$3.00 |
| Next | 1,000 cu.ft., per 100 cu.ft. | .25 |
| Next | 3,000 cu.ft., per 100 cu.ft. | .20 |
| Over | 4,750 cu.ft., per 100 cu.ft. | .15 |

Minimum Charge:

| | | |
|-----|----------------------------|--------|
| For | 5/8 x 3/4-inch meter | \$2.00 |
| For | 3/4-inch meter | 4.00 |
| For | 1-inch meter | 6.00 |

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 2

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Lilac Terrace Subdivision and vicinity, southwest of Twain Harte,
Tuolumne County.

RATES

| | <u>Per Service Connection Per Month</u> |
|---|---|
| For a single-family residential unit, including premises | \$3.50 |

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. Residential service not provided for above shall be furnished on a metered basis only.
3. If the utility so elects, a meter shall be installed and service provided under Schedule No. 1, General Metered Service.