

Decision No. 72987

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 CRYSTAL FALLS WATER COMPANY, a  
 California corporation, for a  
 Certificate of Public Convenience  
 and Necessity to Construct a Public  
 Utility Water System Approximately  
 One and One-Half Miles North of  
 Soulsbyville, Tuolumne County,  
 California, and to Establish Rates  
 for Service and to Issue Stock.

Application No. 49236  
 (Filed March 24, 1967,  
 Amended May 16, 1967)

O P I N I O N

This application by Crystal Falls Water Company, a newly established California corporation, requests a certificate of public convenience and necessity to construct a public utility water system in a development known as Crystal Falls Ranch located approximately 2 miles southwest of Twain Harte, Tuolumne County. Applicant also requests authority to establish rates and to issue stock.

A report, prepared in July, 1967, by the Commission's staff has been made a part of the record as Exhibit No. 1.

Two letters from applicant which have the effect of modifying the application have been received. The letter dated May 23, 1967 is Exhibit No. 2; the letter dated July 14, 1967 is Exhibit No. 3.

Crystal Falls Ranch, a limited partnership, is the developer of the subdivision. The partnership consists of David L. and Barbara A. Spurgeon, general partners, and 12 other individuals, limited partners, 11 of whom reside in California. These same 14 persons are the proposed stockholders of applicant.

The area for which a certificate is requested is shown in Exhibit H attached to the amendment to the application. It is designated as "Crystal Falls Ranch Subdivision Units 1 and 2" being a portion of Sections 24 & 30 T.2N, R.16E, M.D.B.&M, located approximately 1-1/2 miles north of the intersection of Soulsbyville Road and Highway 108, Tuolumne County. It contains approximately 130 acres, subdivided into 302 lots. The subdivision will be occupied primarily on a seasonal basis but with some year around residential use. The lots range in size from approximately 1/3 to 1 acre. Elevations of the area range from approximately 2,650 feet to 3,175 feet above sea level. A tentative subdivision map has been approved by the county.

The nearest water system is a utility under this Commission's regulatory jurisdiction, Brentwood Park Water Co., which serves the Goldmont Forest Subdivision about 3/4 mile northeast of applicant's requested area.

Tuolumne County Water District No. 1, which serves Twain Harte, provides service within 1 mile of applicant's requested area.

Exhibit H attached to the amendment to the application also shows in dotted lines the remaining 170 acres of the Crystal Falls Ranch which is located north of the requested area and extending into Sections 13 and 19. Applicant intends to develop it within two years into Units 3 and 4 comprising about 300 lots.

The three sources of supply for the water system are: the normal flow of Sullivan Creek, overflow from Twain Harte Lake which will be impounded in a 13,000,000-gallon (40 acre-feet) capacity earthen reservoir, and the Tuolumne Main Canal of Pacific Gas and Electric Company. This canal also serves several other public

utility water systems, mutual water companies and municipal water systems. Exhibit F-1 attached to the application indicates that applicant and PG&E have entered into an agreement whereby 60 miner's inches of water will be made available for delivery from the Tuolumne Main Canal into Sullivan Creek where they cross in the SW 1/4 of Section 4 T.2N, R.16E, approximately 4 miles northeast of the requested area. It appears that the normal flow of water in Sullivan Creek varies from 1/2 to 1 second foot, depending on seasons. Applicant estimates that no less than 6,500,000 gallons (20 acre-feet) of water supply will be available from the reservoir by the end of the summer season. The dam creating the reservoir will be earth filled, 14 to 16 feet in height, with a concrete crown and spillway and a 30-inch pipe through the base equipped with a 30-inch gate valve for release of water down channel to the sump.

All water to be used will be available at the confluence of Sullivan Creek and the natural drainage channel from Twain Harte Lake at the north edge of the subdivision. At this location applicant proposes to dig a shallow large diameter sump type well and install an infiltration gallery. The well is to be equipped with a 7.5-hp centrifugal pump of 300-gpm capacity to pump the water through 6-inch asbestos-cement pipe to the treatment facilities 400 feet east or to the reservoir 200 feet beyond the treatment plant.

The treatment plant is to consist of a 40,000-gallon redwood tank for sedimentation where a coagulant (alum) may be added if found necessary, two 100-gpm rapid sand filters, and a 10,000-gallon redwood tank equipped with a hypochlorinator. The proposed water treatment facilities appear to be properly designed to furnish water in no way harmful or dangerous to health.

Booster and storage facilities are to consist of a 30-hp, 200-gpm centrifugal pump and associated Clayton control valve at the treatment site which will pump the water approximately 3,600 feet through distribution main to a 40,000-gallon redwood storage tank on Lot 69 at the south end of the tract, a lift of 300 feet. Also on Lot 69 is a 15-hp, 100-gpm booster pump with associated Clayton control valve which will pump water from the tank to another 40,000-gallon redwood tank 230 feet higher in elevation, to be situated about 900 feet southeast of Lot 69.

A trailer mounted gasoline engine driven pump will be available in the event of temporary power failure.

Applicant proposes to make application to the Tuolumne County Health Department for a water supply permit.

The distribution system will consist of about 500 feet of 8-inch, 12,100 feet of 6-inch and 5,200 feet of 4-inch Class 150 asbestos-cement pipe. Pressures at the lots will range from a minimum of 25 psig to a maximum of 125 psig. Because of the 525 feet difference in elevation throughout the subdivision, pressure reducing valves will be used at several locations as noted on Exhibit H to keep the pressures within limits. Pumps will be provided with Clayton 60-P pump control valves on their outlets to reduce pressure surges on the lines. There will be 170 galvanized steel service connections, mostly double, varying in size from 1 inch to 2 inches and branching to 3/4-inch; 5/8 x 3/4-inch meters will be installed later to serve individual dwelling units. There are to be 34 fire hydrants of the underground valve or dry barrel type with two 2 1/2-inch hose outlets.

As designed, the facilities meet the minimum requirements of this Commission's General Order No. 103, Rules Governing Water Service Including Minimum Standards for Design and Construction.

Exhibit I, attached to the amendment, sets forth the estimated installation costs for both off-tract and in-tract facilities. The total estimated cost amounts to \$134,000 of which the developer proposes to contribute \$88,386, the remainder amounting to \$45,614 to be financed by the issuance of applicant's stock. Applicant requests authority to issue 100 shares of stock, without par value, at a stated value of \$500 per share in the aggregate amount of \$50,000 to its proposed stockholders. The application is not clear as to whether applicant intends to record the amount of \$88,386 as contributions in aid of construction or as equity capital; however, a letter dated May 23, 1967 (Exhibit 2) to this Commission from applicant clearly states that it is applicant's intention to record these amounts as contributions in aid of construction. In addition, by a letter dated July 14, 1967

(Exhibit 3) to this Commission, applicant indicated its intention to delete the estimated cost of the 40 acre-foot reservoir from Exhibit I since title to the reservoir and the land in which it will be located will not be transferred to the water utility. Exhibit 3 acknowledges, on behalf of the developer, that Crystal Falls Water Company will have the primary control of all of the water in the proposed lake and reservoir and that this water company shall have the primary right to establish the amount of water to be stored, the amount of water to be purchased and the amount of water to be released from the lake and the reservoir. Exhibit 3 also states that any subsequent sale, transfer or assignment by the developer of the interest in this lake shall be subject to the consent and permission of the Commission. No statement is made in the Exhibit as to any consideration to be paid by Crystal Falls Water Company for such above-mentioned right. The following tabulation presents proposed utility plant items segregated between those proposed to be financed by contributions and those proposed to be financed by equity capital, excluding the estimated cost of the 40 acre-foot reservoir:

Applicant's Estimated Cost  
Segregated by Type of Financing

Item	:Contributions: : in Aid of : Capital : :Construction : Equity :
<u>Diversion and Treatment</u>	
Diversion dam, infiltration gallery and well	\$ 1,500      \$ -
Pacific Pump LJ-504-741 7-1/2 hp, 300 gpm	-      325
Pumphouse and pump controls	-      475
40,000-gallon sedimentation tank-redwood	-      5,500
2-A.C.Lo Prest Type L sand filters, 100 gpm each	-      8,000
Wallace and Tiernan Hypochlorinator A-747	-      450
10,000-gallon redwood tank	-      2,000
Pacific Pump 1-1/2", 292 J 30 hp, 200 gpm	-      800
Clayton 3" - 60P pump control valve	-      250
Pump controls and house for filters, chlorinator and pump	-      1,150
Misc. fittings, valves, etc.	-      500
<u>Storage and Distribution</u>	
2 - 40,000-gallon redwood tanks, installed	-      11,000
Pacific Pump LJ-292-821 15 hp, 100 gpm Clayton 2" 60P, controls, installed and pump house	-      2,000
500 ft. 8" A.C. Class 150 installed at \$3.50	1,750      -
12,100 ft. 6" A.C. Class 150 installed at \$3	36,300      -
5,200 ft. 4" A.C. Class 150 installed at \$2.25	11,700      -
170 service connections (most double, some single at \$25)	4,250      -
34 fire hydrants, installed at \$200	6,800      -
302 meters at \$32	-      9,664*
Pressure reducing valves, misc. fittings	1,586      -
<u>Standby and Emergency</u>	
Pacific Pump 200 gpm gas powered installed on trailer with throttle valve and other fittings	-      1,500
<u>Engineering</u>	5,000      -
<u>Legal</u>	-      2,000
Totals	\$68,886      \$45,614
Total estimated cost of water system facilities	\$114,500

\* Applicant will purchase meters after a substantial number of customers are served.

The application does not show any costs, either actual or estimated, for land which applicant intends to dedicate to public utility use. Title to this land should be transferred to the utility. With respect to the cost to be assigned to these land parcels for book purposes, applicant should determine the bare cost of the land dedicated to public utility use and add thereto pro rata amounts for improvement costs excluding water improvement costs. Applicant will record the land as a contribution in aid of construction.

Applicant's articles of incorporation attached to the application show that the corporation is authorized to issue 4,000 shares of capital stock without par value. The estimated costs of the water facilities to be financed by the issuance of capital stock appear to be reasonable and to form a proper basis for the issuance of that amount of the \$50,000 of stock requested by applicant. Accordingly, the staff recommends that applicant be authorized to issue 100 shares of its capital stock, without par value, at a stated value of \$500 per share in the aggregate amount of \$50,000 as follows:

Water system facilities described in Paragraph 16 of this report	\$45,614
Working Cash	4,386
	<u>\$50,000</u>

Should actual costs exceed the estimated costs for the proposed water facilities financed by the issuance of stock authorized by the Commission, such excess should be reflected by a credit to Ac. 203, Capital Surplus.

Applicant proposes the following rate schedules:

General Metered Service:

	<u>Per Meter Per Month</u>
<b>Monthly Quantity Rates:</b>	
First 800 cu.ft. or less	\$3.25
Next 2,200 cu.ft., per 100 cu.ft.	.25
Next 7,000 cu.ft., per 100 cu.ft.	.20
Over 10,000 cu.ft., per 100 cu.ft.	.15
	<u>Per Meter Per Year</u>

**Annual Minimum Charge:**

For 5/8 x 3/4-inch meter	\$ 39.00
For 3/4-inch meter	57.00
For 1-inch meter	90.00
For 1 1/2-inch meter	162.00
For 2-inch meter	204.00

Annual Residential Flat Rate Service:

	<u>Per Service Connection Per Year</u>
For a single-family residential unit, including premises	\$60.00
For each additional single-family residential unit on the same premises and served from the same service connection	48.00
	<u>Per Month</u>
For each hydrant	\$ 3.00

Applicant's proposed meter rates are the same as those filed by Brentwood Park Water Co., and the flat rates are \$8 per year higher for each single-family residential service. Applicant's customers are not to have the option of choosing metered service. The proposed rates appear reasonable in relation to rates for nearby utilities.

The Commission finds that:

1. Public convenience and necessity require that the application should be granted as set forth in the following 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 proposed service.

4. Applicant's proposed system will provide reasonable service for the proposed certificated area and meet the minimum requirements of General Order No. 103.

5. A water supply permit has not yet been obtained from the public health authority having jurisdiction in the area.

6. A composite depreciation rate of 3 percent is reasonable for this system.

7. The money, property or labor to be procured or paid for by the issue of the stock herein authorized 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:

1. The application should be granted as set forth in the ensuing order.

2. Applicant should file rules, standard forms and other tariff sheets as needed to define the conditions of rendering public utility service.

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.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total stated 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.

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 Crystal Falls Water Company, a corporation, authorizing it to construct a public utility water system to serve an area known as Crystal Falls Ranch Subdivision Units 1 and 2 as delineated on the map Exhibit H 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. The filing shall comply with General Order No. 96-A and 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. Prior to the date service is first furnished to the public under the authority granted herein, applicant shall apply for a water supply permit from the appropriate public health authorities and so advise this Commission in writing within ten days thereafter.

5. Applicant shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within sixty 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 three 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.

7. 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.

8. Applicant, on or after the effective date hereof and on or before December 1, 1968, may issue and sell not to exceed 100

shares of its common stock, without par value, at a stated value of \$500 per share in the aggregate amount of \$50,000 for the purposes specified in this proceeding.

9. 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 a part of this order.

10. Applicant shall set up formal books of account in accordance with the Uniform System of Accounts for Class D Water Utilities prescribed by this Commission and record therein the appropriate charges to the plant accounts with contra credits to Ac. 265, Contributions in Aid of Construction; Ac. 200, Common Stock; and Ac. 203, Capital Surplus (if required); once actual costs are ascertained.

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

Dated at San Francisco, California, this 29<sup>th</sup> day of AUGUST, 1967.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:		
First	800 cu.ft. or less .....	\$ 3.25
Next	2,200 cu.ft., per 100 cu.ft. ....	.25
Next	7,000 cu.ft., per 100 cu.ft. ....	.20
Over	10,000 cu.ft., per 100 cu.ft. ....	.15
Annual Minimum Charge:		<u>Per Meter</u> <u>Per Year</u>
For	5/8 x 3/4-inch meter .....	\$ 39.00
For	3/4-inch meter .....	57.00
For	1-inch meter .....	90.00
For	1 1/2-inch meter .....	162.00
For	2-inch meter .....	204.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

(Continued)

APPENDIX A  
Page 2 of 5

Schedule No. 1A

ANNUAL METERED SERVICE

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis except that meters may be read and quantity charges billed during the winter season at intervals greater than three months.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

## Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATES

	<u>Per Service Connection Per Year</u>
For a single-family residential unit, including premises .....	\$60.00
For each additional single-family residential unit on the same premises and served from the same service connection	48.00

SPECIAL CONDITIONS

1. The above flat rates apply to a service connection not larger than one inch in diameter.
2. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

(Continued)

Schedule No. 2RA

ANNUAL RESIDENTIAL FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

3. The annual flat rate charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

4. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ( $1/365$ ) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, organized fire districts and other political subdivisions of the State.

TERRITORY

Crystal Falls Ranch and vicinity, located approximately two miles southwest of Twain Harte, Tuolumne County.

RATE

Per Month

For each hydrant ..... \$3.00

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1A, Annual Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.