

ORIGINALDecision No. 73178

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SONORA WATER COMPANY, a California corporation, for a certificate of public convenience and necessity to construct a public utility water system between Jamestown and Sonora in Tuolumne County, California, and to establish rates for service, and to issue stock in said corporation.

Application No. 49190
(Filed March 8, 1967)

O P I N I O N

Sonora Water Company, a California corporation, seeks a certificate of public convenience and necessity to construct a public utility water system on State Highway 108 midway between Jamestown and Sonora in Tuolumne County, to establish rates and to issue stock. A Commission staff report, dated August 16, 1967, received as Exhibit No. 1, comprehensively presents the results of a study of the application and of a field investigation of the proposed service area.

Affiliation and Management

Equal stockholders in the corporation are to be Mr. Claude A. Finck, President and Manager, a resident of Sonora, and Mr. Richard N. Clayton, Vice President, a resident of San Rafael. These individuals, together with their wives and Mr. and Mrs. Jack A. Hunderford, residents of Los Altos Hills, are the owners and subdividers of the 18-acre Fairway Acres Subdivision within the proposed service area. The Claytons own approximately 130 acres of additional land within the 275-acre requested service

area. About seven acres owned by the Claytons is a leased 52-unit trailer court. The lessee also operates a rest home on the opposite side of the highway from the trailer court.

Mr. Finck is presently constructing a residence in Fairway Acres Subdivision, and plans to manage the water system from his home. He has no prior utility experience but supervised the construction of the water system, completed in March, 1967.

Service Area

A map, attached to the application, shows the boundaries of the requested service area. The area is mostly rolling hills, elevations ranging from about 1,475 feet to about 2,550 feet. State Highway 108 and the Sierra Railroad divide the requested area into three unequal parts. Applicant has constructed distribution facilities in the 45-lot Fairway Acres Subdivision in the northernmost portion of the requested area. The lots range in size from 8,500 to 30,000 square feet. Applicant is serving water to the trailer court, the rest home and a motel. Approximately 90 acres of land in the requested service area are owned by individuals who do not expect to subdivide their land within the next few years. About 30 acres owned by the Claytons cannot readily be supplied with treated water and are not planned for development in the near future. Mr. Clayton and Mr. Finck hope to acquire a golf course situated adjacent to the subdivision but outside of the area requested.

Volponi Acres Water Corporation, an incorporated mutual water company is almost surrounded by the requested area. The mutual, which obtains its raw water from the same source as applicant, is interested in buying treated water from applicant,

particularly in the wintertime. The secretary for Tuolumne County Water District No. 2 informed the staff engineer that the area requested by the applicant is within the district but that the district has no objection to a water utility serving the area.

Water Source and Treatment Facilities

Applicant's source of untreated water is the Jamestown segment of the Pacific Gas and Electric Company (PG&E) Tuolumne Ditch System, a portion of which crosses the southeast corner of the requested area. PG&E provides the domestic water service in both Sonora and Jamestown from the ditch system, but does not wish to furnish domestic service in the requested area. Raw water from the ditch flows by gravity to applicant's treatment plant by means of plastic pipe with a capacity of about 14 gallons per minute. After treatment, water enters an uncovered, reinforced concrete sedimentation tank with a capacity rated at 80 gpm.

Settled water flows from the sedimentation tank through a 3-inch plastic pipe into two redwood storage tanks and into a 2-inch transmission main. Before reaching the two tanks the settled water can be filtered through a pressure filter at a rate of 24.5 gallons per minute.

Storage Facilities

The larger redwood storage tank at the treatment plant has a capacity of about 35,000 gallons and the smaller one about 25,000 gallons. They are about 1,700 feet above sea level. A covered steel storage tank of 100,000 gallons capacity has been erected on the hillside in the Fairway Acres area at an elevation of about 1,830 feet.

Transmission and Distribution Systems

The motel now receives water directly from the treatment plant by means of approximately 2,500 feet of 2-inch galvanized pipe owned by the motel proprietors.

A second 2-inch galvanized pipeline, the utility's only supply main from the treatment plant site down to the highway, will be replaced by May, 1968 with a 6- or 8-inch pipe. The existing 2-inch pipeline may then be used to deliver raw water north of the highway to a golf course, if requested. The staff recommends that applicant give careful consideration to the installation of an 8-inch diameter main, equipped with a check valve near the treatment plant to meet anticipated demand for water.

About 1,400 feet of 6-inch pipe extends from the highway to a booster pump near the southwest corner of the subdivision. Water from this 6-inch main is pumped to the subdivision's distribution system by means of a 7.5 hp centrifugal pump of 100 gpm capacity. The staff recommends that a valved bypass be installed around the pumping facilities to enable water from the 100,000-gallon steel storage tank to serve, in an emergency, the area between the treatment plant and the pump station.

Distribution System in Subdivision

The distribution system in the subdivision consists of 2,650 feet of 4-inch and about 470 feet of noncirculating 2-inch plastic pipe, serving three lots at the north end of the subdivision, exceeding the 250-foot limitation of Section III.2. of General Order No. 103.

Health Department Permit and County Franchise

The Tuolumne County Health Officer issued to applicant a temporary water permit which expires on September 23, 1968, or one

year after completion of the water system, whichever date comes first. A county franchise is not required.

Accounting Records

The major portion of the existing water plant facilities was installed by the two proposed stockholders, and by casual laborers they had hired. Contractors supplied and installed the 100,000-gallon steel tank and did the trenching for some of the water mains. The costs of materials purchased and the contract work were verified by the staff. Some payments to casual laborers may have been for other than water plant installation. The charges for work performed by the proposed stockholders were based on their estimates of 1,700 hours worked at a pay rate of \$7 per hour for Mr. Finck and \$10 per hour for 600 hours for Mr. Clayton.

Mrs. Finck estimated that she worked 160 hours at a rate of \$4 per hour with respect to purchasing and other bookkeeping functions. Applicant has made no realistic attempt to classify any of these charges by primary plant accounts in accordance with the Commission's Uniform System of Accounts for Class D Water Utilities.

Utility Plant

The staff recommends that none of the costs should be allowed for the unused 2-inch raw water line extending from the highway to the vicinity of the pump station because this facility is not used or useful for public utility purposes. In view of absence of proper accounting records, the staff does not accept in this proceeding any of the costs for depreciable plant facilities, other than material costs and contract costs which have been fully supported by applicant and verified by the staff. The costs incurred for casual labor, although supported by canceled checks, are not acceptable to the staff since there are no accurate records

assigning these dollars to the various plant accounts. The charges for work performed by the proposed stockholders are also not acceptable since no accurate records were kept, and also because the hours worked and the hourly rates appear excessive. In lieu of such charges the staff has estimated the costs of plant facilities, giving consideration to actual costs of the purchased materials and contracted construction, and reasonable amounts for other construction costs.

The tabulation below presents the balances in applicant's utility plant accounts as of March 31, 1967, as determined by the staff, and includes an allocation of actual engineering costs incurred by applicant in the amount of \$2,850. The staff's determination of the costs of plant, both installed and to be installed, as a basis for the issuance of stock is approximately \$11,200 less than applicant's estimate set forth in Exhibit No. 6 attached to the application. Applicant's president indicated willingness to accept the staff's determination as to the original cost of installed water facilities, set forth in the following tabulation:

<u>Ac. No.</u>	<u>Ac. Title</u>	<u>Amount</u>
301	Intangible Plant	\$ 825
306	Land	1,275
324	Pumping Equipment	1,350
332	Water Treatment Equipment	2,620
342	Reservoirs and Tanks	10,380
343	Water Mains	13,480
345	Services	1,010
348	Hydrants	600
371	Structures	1,500
374	Other Equipment	50
	Total Utility Plant	\$33,090

Financial Responsibility

Financial statements dated October 21, 1966, submitted by Mr. and Mrs. Claude A. Finck, and statements dated March 21, 1967, submitted by Mr. and Mrs. Richard N. Clayton, show combined total

assets in the amount of \$1,006,383 and a combined net worth of \$926,383. From a review of these financial statements, it is the staff's opinion that these individuals have adequate resources to absorb operating losses during the initial years of operation and to provide such additional capital funds as may be required. It is noted, however, that Mr. Clayton wishes to sell his interest in the water system.

Proposed Stock Issue

Applicant's articles of incorporation, Exhibit No. 1 attached to the application, provide for authorization to issue 750 shares of \$100 par value stock. In Section VII of the application, applicant requests Commission authority to issue its capital stock to its proposed stockholders on the basis of one share of \$100 par value capital stock in cancellation of each \$100 of the indebtedness of applicant to proposed stockholders.

The staff recommended that applicant be authorized to issue not to exceed 433 shares of its \$100 par value capital stock in the aggregate amount of \$43,300. The tabulation which follows sets forth the basis for the issuance of stock recommended by the staff:

Staff determination of utility plant in service as of March 31, 1967	\$33,090
Staff estimates for the installation of meters	1,440
Staff estimate of 2,000 feet of 8-inch asbestos-cement transmission main and check valve installation to be installed by May, 1968	8,000
Booster station bypass to be installed by May, 1968	500
Office Furniture and Equipment to be acquired in 1967	<u>250</u>
Basis for staff recommended stock issue	\$43,280

Rates

Applicant's revised proposed schedule of meter rates

follows:

Annual General Metered Service

		<u>Per Meter Per Month</u>
Monthly Quantity Rates:		
First	500 cu.ft. or less	\$ 4.50
Next	4,500 cu.ft., per 100 cu.ft.35
Next	5,000 cu.ft., per 100 cu.ft.30
Next	10,000 cu.ft., per 100 cu.ft.25
Over	20,000 cu.ft., per 100 cu.ft.20

		<u>Per Meter Per Year</u>
Annual Minimum Charge:		
For	5/8 x 3/4-inch meter	\$ 54.00
For	3/4-inch meter	65.00
For	1-inch meter	90.00
For	1 1/2-inch meter	160.00
For	2-inch meter	250.00
For	3-inch meter	400.00

The staff recommends that the requested rate blocks in the meter schedule be reduced from five to four by combining the third and fourth blocks and that the annual minimum charges for meters larger than 5/8 x 3/4-inch reflect proportionately the costs of furnishing such services.

Applicant proposes to sell treated water at a flat rate of \$25 per month to the present three commercial customers and to sell raw water to the golf course for irrigation at a flat rate of \$900 per year. Applicant also estimated total flat rate revenues of \$4,800 in the fifth year to reflect sales of raw water, including water to be sold at undisclosed rates to some possible future customers. Due to the fact that applicant must purchase all of its water the staff recommends that applicant be required to furnish all water on a metered basis.

Since there are no immediate plans to furnish any potential customers with raw water and since such raw water would flow through a separate piping system, the staff recommends that applicant not be authorized to establish raw water rates or to provide such service at this time.

Applicant proposes a rate of \$2 per month per hydrant for public fire hydrant service. The staff recommended that a private fire protection schedule be filed to meet the needs of applicant's customers.

Recommendations

The staff recommends that a certificate of public convenience and necessity be granted and that applicant be required to modify its system as heretofore indicated.

Findings and Conclusion

The Commission finds that:

1. Public convenience and necessity require the construction of applicant's water system to serve the area authorized herein.
2. Applicant's available water supply is of adequate quality and quantity to serve the area authorized herein.
3. For a newly certificated area the rates requested by applicant are fair and reasonable.
4. Applicant has the financial ability to serve the area authorized herein.
5. The issue of the securities 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.
6. The staff recommendations are reasonable.
7. 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.

The certificate of public convenience and necessity issued herein is subject to the following provision of law:

The Commission shall have no power to authorize the capitalization of the certificate of public convenience and necessity involved herein, 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 or to a political subdivision thereof 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 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.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Sonora Water Company, a California corporation, authorizing it to construct a public utility water system to serve the Fairway Acres Subdivision, premises in the vicinity of the existing motel and rest home and the requested areas located between State Highway 108 and the Sierra Railroad right-of-way, Tuolumne County, California, as delineated on the map, Exhibit No. 2, 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 attached 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 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 with this Commission within one year after the effective date of this order.

4. Within ten days after the date service is first furnished to the public under the authority granted herein, applicant shall submit written notice thereof to this Commission.

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

6. When the number of customers reaches ten, or when lots Nos. 1, 2 and 3 in Fairway Acres Subdivision are served, or within one year after the effective date of this order, whichever is earlier, applicant shall have installed a 6-inch or larger main with suitable check valves to replace the two-inch main between the treatment plant and Highway 108. Within ten days after such facilities are installed, applicant shall file in this proceeding a written report showing the details of the manner in which the requirements of this paragraph have been accomplished.

7. Applicant shall, within one year after the effective date of this order, install a suitable valved bypass around its booster pump facilities to permit in an emergency, an adequate backflow of water from the 100,000-gallon steel storage tank to the areas to be served near the highway. Within ten days after the bypass is installed, applicant shall file in this proceeding a report advising that the requirements of this paragraph have been accomplished.

8. Within one year after the effective date of this order or when lots Nos. 16, 17 and 18 in Fairway Acres Subdivision are served, whichever is earlier, applicant shall have replaced or rearranged the 470 feet of two-inch PVC piping at the north end of the subdivision to bring the distribution system into compliance with Section III.2. of General Order No. 103. Within ten days after such improvements are completed, applicant shall file in this proceeding a written report showing the details of the manner in which the requirements of this paragraph have been accomplished.

9. Applicant shall establish formal books of account in accordance with this Commission's prescribed Uniform System of Accounts for Class D Water Utilities and shall record therein the staff-determined balances for the utility plant accounts as of March 31, 1967, set forth in the tabulation in paragraph 17 of Exhibit No. 1 in this proceeding. When the actual costs of acquisition and installation of the additional equipment and facilities described in the tabulation of paragraph 22 of Exhibit No. 1 become known, applicant shall charge such costs to appropriate utility plant accounts.

10. Applicant, on or after the effective date hereof and on or before December 31, 1968, may issue and sell not to exceed 433

A. 49190 ds

shares of its \$100 par value common stock at a price of \$100 per share for the purposes specified in this proceeding.

11. 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.

12. For the remainder of the year 1967, applicant shall apply a depreciation rate of 2.5 percent per annum 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.

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

Dated at San Francisco, California, this
10th day of OCTOBER, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Fairway Acres and vicinity, approximately one mile east of Jamestown, Tuolumne County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:		
First	500 cu.ft. or less	\$ 4.50
Next	4,500 cu.ft., per 100 cu.ft.35
Next	15,000 cu.ft., per 100 cu.ft.30
Over	20,000 cu.ft., per 100 cu.ft.20

		<u>Per Meter</u> <u>Per Year</u>
Annual Minimum Charge:		
For	5/8 x 3/4-inch meter	\$ 54.00
For	3/4-inch meter	66.00
For	1-inch meter	90.00
For	1 1/2-inch meter	150.00
For	2-inch meter	216.00
For	3-inch meter	372.00

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)

Schedule No. 1A

ANNUAL METERED SERVICE
(Continued)

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 period 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. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Fairway Acres and vicinity, approximately one mile east of Jamestown, Tuolumne County.

RATE

	<u>Per Service Connection Per Month</u>
For each inch of diameter of service connection	\$2.00

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and with the cost paid by the applicant. Such payment shall not be subject to refund.

5. 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.

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

Fairway Acres and vicinity, approximately one mile east of Jamestown, Tuolumne County.

RATE

Per Month

For each hydrant \$2.00

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.