

ORIGINALDecision No. 74219

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Dr. Harvey Beauchamp doing business)
 as Matt Dillon Water Company, Route)
 2, Box 891, Sonora, California, for)
 a certificate of public convenience)
 and necessity to operate a public)
 utility water system near Soulsby-)
 ville in Tuolumne County and to)
 establish rates for service.)

Application No. 49822
 (Filed November 28, 1967)

O P I N I O N

Harvey D. Beauchamp, Sr., an individual, doing business as Matt Dillon Water Company, seeks (1) a certificate to operate^{1/} a public utility water system, and (2) 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 the Dimond Bar B Ranch Subdivision, located east of Black Oak Road, about 1½ miles south of Soulsbyville, Tuolumne County. It is ultimately to be expanded into a 500-acre community consisting of about 450 residential lots and a recreational area. Under plan for immediate development is the requested 20-acre certificated area consisting of 35 residential lots.

^{1/} Under Section 1001 of the Public Utilities Code, the certificate covers the construction, not the operation of the system. The acceptance by the Commission of tariffs to be filed by applicant pursuant to the order herein will constitute operating authority.

The nearest existing public utility domestic water systems are Crystal Falls Water Company and Pacific Gas and Electric Company, furnishing service in the communities of Soulsbyville and Tuolumne, respectively.

Proposed Water System

The source of supply is to be the Soulsbyville branch of the Tuolumne Ditch System of Pacific Gas and Electric Company (PG&E). From the point of delivery by PG&E, applicant will transport the water through about 1.2 miles of ditch and 0.4 mile of 2½-inch galvanized and polyvinyl chloride (PVC) pipe to a treatment plant, consisting of a rapid sand filter and chlorinator. A pump will boost the water through the filter into a 31,500-gallon storage tank, whence it will flow by gravity directly to the distribution system, consisting of about 3,600 feet of PVC pipe. Applicant's nearby ranch has a well, a tank, and several irrigation ponds which will be available as emergency sources of supply.

As additional subdivision units are developed at higher elevations, applicant plans to move the treatment plant and storage tank to a higher location so that all of the area can still be served by gravity. At that time, a larger transmission main will probably be required. Exhibit No. 1 states that applicant is willing to absorb any economic loss in connection with an early retirement of the original transmission main.

Applicant has already commenced construction of part of the water system. Section 1001 of the Public Utilities Code prohibits such construction until after a certificate of public convenience and

necessity is obtained. Fortunately, the parts of the system already installed are adequate. Applicant is admonished, however, to familiarize himself with statutory and tariff requirements under which his utility operations must be conducted, to avoid further unintentional violations. Applicant's attention is directed particularly to the Uniform System of Accounts for Class D Water Utilities prescribed by this Commission. In conforming with the accounting requirements, applicant should maintain adequate records to substantiate all entries involving charges by affiliated interests.

Franchise and Permit

Applicant alleges that there is no requirement for a franchise from the county. Applicant also alleges that he has applied for a water supply permit to be issued by the Tuolumne County Health Department upon completion of the water system.

Rates and Earnings

The rate schedules proposed in the application provide for annual flat rate service, annual general metered service, and fire hydrant service. Applicant intends to provide metered service only in instances where a customer uses excessive amounts of water. Applicant's proposed rates, modified to correct an arithmetical error in the minimum charge for a 5/8 x 3/4-inch meter, are authorized as set forth in Appendix A to the order herein.

Applicant is aware that the proposed rates may not produce sufficient revenue to cover operating expenses for the initial subdivision until all 35 lots are occupied.

Financing

Applicant proposes to finance with his own funds the installation of about \$30,000 of facilities to serve the initial development and an undetermined amount of subsequent plant additions, excluding main extensions beyond the initial development, which are

to be financed by subdividers' construction advances in accordance with the main extension rule prescribed by this Commission. Applicant is also the subdivision developer and proposes to operate the system and absorb initial losses as a necessary part of the subdivision operation. Applicant's financial statement attached to the application indicates that he has adequate financial resources.

Economic Feasibility

The economic feasibility of the proposed public utility water system under applicant's proposed rates is dependent upon the success of additional subdivisions which applicant proposes to develop. Although applicant is willing and able to subsidize the water utility by absorbing initial losses, the rates he requests were predicated upon the revenue required to provide little more than operating expenses with full occupancy of the initial 35-lot unit.

If and when additional tracts are developed and customers added, this almost certainly will provide incremental additional revenues in excess of incremental additional expenses. The operation under applicant's proposed rates may then be economically feasible without subsidy and provide a reasonable return. However, applicant is placed on notice that he cannot expect to earn a normal return on his investment in the utility unless and until some reasonable customer density is achieved. Further, potential customers should be placed on notice that continuation of the initial rate levels for any reasonable time in the future is dependent upon having a sufficient number of customers under those initial water rates to cover operating expenses. The order which follows requires applicant to

provide such notice to potential customers and to any customers whom applicant may already have served without authorization. The order also provides for sending a copy of this decision to the California Department of Investment, Division of Real Estate, so that agency will be aware of the situation in preparing its Subdivision Final Reports for the information of potential lot purchasers.

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 should produce sufficient revenues to cover operating expenses if and when all of the lots in the certificated area are served.

3.a. Applicant has the financial ability to construct and operate a water system to serve the requested certificated area, which 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. Part of applicant's proposed initial system is constructed and the remainder is planned for completion soon.

5. The utility plant cost for the portion of the system completed as of January 1, 1968, as set forth in Paragraph 24 of Exhibit No. 1, is appropriate for applicant to record in his utility plant accounts as of that date.

6. Applicant's proposed initial depreciation rate of 3 percent is reasonable.

7. Economically feasible operation of applicant's system without subsidy from applicant's nonutility sources of funds under the rates authorized herein is dependent upon applicant's eventual serving of more territory than that certificated herein.

The Commission concludes that the application should be granted and that 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, Harvey D. Beauchamp, Sr., doing business as Matt Dillon Water Company, authorizing him to construct a public utility water system to serve the Dimond Bar B Ranch Subdivision, Unit No. 1, consisting of about 20 acres, near Soulsbyville, Tuolumne County, as delineated on Exhibit C 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 him of the right and obligation to furnish public utility water service within the area certificated herein. The authority 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.

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. Applicant shall record in his books of account the utility plant account balances as determined by the staff as of January 1, 1968 as set forth in the tabulation contained in Paragraph 24 of the staff report, Exhibit No. 1.

6. For the year 1968, 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 his 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. Prior to filing the tariffs authorized herein, applicant shall prepare copies of the Notice to Potential Customers set forth in Appendix B to this order and shall mail a copy thereof to each customer, if any, already being served. Until otherwise ordered by this Commission, applicant shall furnish a copy of this notice to each future potential customer before accepting an application for service.

The Secretary of the Commission is directed to furnish a copy of this decision to the California Department of Investment, Division of Real Estate.

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

Dated at Los Angeles, California, this 11th day of JUNE, 1968.

[Signature]
President

[Signature]
William J. Bennett
[Signature]
Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1A

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Diamond Bar B Ranch Subdivision, Unit No. 1, and vicinity, located approximately 1½ miles southwest of Soulsbyville, Tuolumne County.

RATES

Monthly Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First 800 cu.ft. or less.....		\$ 7.50
Next 2,200 cu.ft., per 100 cu.ft.....		.40
Over 3,000 cu.ft., per 100 cu.ft.....		.30

Annual Minimum Charge:		<u>Per Meter</u> <u>Per Year</u>
For 5/8 x 3/4-inch meter.....		\$ 90.00
For 3/4-inch meter.....		100.00
For 1-inch meter.....		170.00
For 1½-inch meter.....		280.00
For 2-inch meter.....		350.00

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.

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

(Continued)

Schedule No. 1-A

ANNUAL METERED SERVICE

SPECIAL CONDITIONS - Contd.

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.

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 SERVICE

APPLICABILITY

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

TERRITORY

Diamond Bar B Ranch Subdivision, Unit No. 1, and vicinity, located approximately 1 1/2 miles southwest of Soulsbyville, Tuolumne.

RATE

	<u>Per Service Connection Per Year</u>
For a single-family residential unit, including premises	\$100.00
For each additional single-family residential unit on the same premises and served from the same service connection	50.00

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than 3/4-inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. For service covered by the above classifications, 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.

4. 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.

5. 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, duly organized fire districts and other political subdivisions of the State.

TERRITORY

Diamond Bar B Ranch Subdivision, Unit No. 1, located approximately 1 1/2 miles southwest of Soulsbyville, Tuolumne County.

RATE

	<u>Per Month</u>
For each 4-inch dry barrel hydrant	\$4.50

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the tail block rate under Schedule No. 1A, Annual Metered Service.
2. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. Fire hydrants shall be attached to the utility's distribution mains upon receipt of proper authorization from the appropriate public authority. Such authorization shall designate the ownership, type and size of hydrant and the specific location at which each is to be installed.
4. 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.

APPENDIX B

NOTICE TO POTENTIAL CUSTOMERS

The initial rates authorized for Harvey D. Beauchamp, Sr., doing business as Matt Dillon Water Company, can be expected to remain in effect for a reasonable period in the future only if the utility serves a sufficient number of customers to cover operating expenses. The utility's owner is absorbing initial losses from the operation of the utility. A significant, but presently indeterminate, rate increase could be required at some future time if the customer growth rate is slower than anticipated by the utility.