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Decision No. 75619

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
RIVERWAY RANCH WATER COMPANY, INC.

for a Certificate of Public Convenience
and Necessity to Construct a Public
Utility Water System in Tulare County,
California, and to Establish Rates and
Service to Issue Stock under the
provisions of Section 1001, et seq.,
of the Public Utilities Code of the
State of California.

Application No. 49728
(Filed October 11, 1967)

David W. Fleming, of White, Oberhansley and
Fleming, for the applicant.
David R. Larrouy, Counsel, for the Commission
staff.

O P I N I O N

A stipulation was filed on March 21, 1969 wherein it was
agreed that this matter could be submitted on the pleadings and
attached exhibits.

Applicant requests a certificate to construct and operate
a public utility water system near the community of Three Rivers
in Tulare County. Applicant seeks to establish rates and to issue
stock. Applicant is a wholly owned subsidiary of Constructors
Research Corporation, a California corporation, and the land
developer of 110 acres (with options on an additional 1,235 acres)
adjacent to the Walt Disney Mineral King Recreation Development
in Tulare County. The application alleges that the water system
will supply Tracts Nos. 451 and 457, and other adjacent undeveloped
property. The staff engineer's report, received herein as
Exhibit 1, describes Tract 451 as consisting of 10 flat building lots

about 80 by 255 feet in area; Tract 457 is described as 14 large hillside lots, averaging 2 to 6 acres in size. Elevations vary from 1,077 to 1,450 feet above sea level. The lots in Tract 451 are on the bank of the Middle Fork of the Kaweah River.

Applicant was incorporated on May 26, 1967, when the corporate directors changed the name Davamar Productions, Inc., to Riverway Ranch Water Company, Inc. and made the primary activity of the corporation the institution and maintenance of a domestic public utility water company. The Articles of Incorporation indicate the capital structure will be 200,000 shares of common stock at a par value of \$1.00 per share. No shares have been issued or subscribed, but Constructors Research Corporation is to purchase \$28,000 worth of common stock from applicant to provide sufficient funds to construct the water system. Estimated utility plant costs totaling \$27,155 as shown in Exhibit B-1 attached to the application are:

Organization and Legal	\$ 500
Land	250
Structures and Fencing	200
Well	500
Pump	2,500
Filtration System	3,000
Sterilization System	1,000
Tank	3,200
Distribution Lines	12,355
Services	1,150
Engineering Fees	2,500
	<u>\$27,155</u>

Applicant has filed an Agreement (Exhibit 2) dated February 14, 1969, between the applicant, referred to in the agreement as "The Water Company" and Constructors Research Corporation, referred to as the "Developer". The agreement provides that the Developer will pay applicant the sum of \$370 as soon as the document is signed, plus an additional \$290 for each lot sold,

which is to be paid when the sale is made. The agreement provides for annual reports to the Commission on the status of this fund and for application to the Commission for withdrawal of money to meet operating expenses. The agreement provides that ten years after the last lot has been sold or at an earlier date, if appropriate, applicant can apply to the Commission for authority to transfer any balance remaining in the account to its general fund, provided it can show the need for such special fund will not continue.

Applicant drilled four wells to serve these tracts; two of the wells provided six and five gallons per minute respectively; the other two produced bad water. Applicant therefore proposes to use a 12 foot (deep) well located near the stream bank. Filtration and chlorination are necessary if this source is used and have been provided for in the design. Applicant has also acquired a right to water from a flume located above the property and owned by Southern California Edison Company. This source will be used as a standby.

Applicant proposes to use class 160 unplasticized polyvinyl chloride pipe in its distribution system. This is a relatively new material and no American Water Works Association standards for it presently exist. The staff engineer does not object to its use however, since a qualified engineer is responsible for system design and the manufacturer's instructions for installation are being followed.

Applicant's proposed rates are:

Monthly Flat Rate Service

For a single-family residence, including premises not exceeding 8,500 sq. ft. in area ...	\$6.00 per month
For each 100 sq. ft. of area in excess of 3,500 sq. ft.03 per month

Monthly Metered Service

Monthly Quantity Rates:

First 1,000 cu. ft., or less	\$3.25
Next 2,000 cu. ft., per 100 cu. ft.20
Next 2,000 cu. ft., per 100 cu. ft.18
Next 5,000 cu. ft., per 100 cu. ft.15
Over 10,000 cu. ft., per 100 cu. ft.12

Monthly Minimum Charges:

For 5/8 x 3/4-inch meter	\$3.25
For 3/4-inch meter	4.25
For 1-inch meter	6.50
For 1-1/2-inch meter	11.00
For 2-inch meter	16.00

The minimum charge will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the quantity rates.

The staff recommended that the monthly flat rate of \$6 be changed to an annual flat rate of \$72. This is consonant with the staff's opinion that resort and semi-resort water systems should file rates on an annual basis.

It also recommended that the monthly metered service rates be simplified and be authorized with annual minimum charges increased to more properly reflect the cost of providing metered service. These recommendations are meritorious and will be adopted.

The operator of Sierra King Water Company, an operating system and the nearest public utility water system to applicant, has agreed to manage the system for a fee of \$25 per month for the first year.

The operations will sustain a loss until the tracts are fully occupied. A rate of return on the order of 1% is expected when the tracts are fully occupied.

The Commission finds that:

1. Applicant and its stockholder possess the financial resources to operate the proposed system.
2. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.
3. Applicant's water supply and distribution facilities will provide reasonable service for the proposed certificated area and substantially meet the requirements of General Order No. 103.
4. Applicant has not yet procured a permit from the public health authority having jurisdiction.
5. It is reasonable for applicant to issue 23,000 shares of its \$1 par value common capital stock for the water system described in the foregoing opinion.
6. 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.
7. Public convenience and necessity require that the application be granted as set forth in the ensuing order.

The Commission concludes that the sought certificate should be granted and the issuance of stock authorized subject to the terms and conditions imposed by the following order.

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 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.

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 Riverway Ranch Water Company, Inc., hereinafter referred to as applicant, authorizing it to construct and operate a public utility water system near the community of Three Rivers, Tulare County, as delineated on the maps in Exhibits Nos. C-1, D and E attached to its application.

2. Applicant is authorized to file, after the effective date of this order, the schedule of rates set forth in Appendix A of this order, a tariff service area map clearly indicating the boundaries of its service 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 shall become effective on the fourth day after the date of filing.

3-a. Within one year after the effective date of this order, applicant may issue not to exceed 23,000 shares of its \$1 par value common stock for the purposes specified in the staff report in this proceeding.

3-b. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-3, which order, insofar as applicable, is hereby made a part of this order.

4. Compliance by applicant with paragraph 2 of this order shall constitute acceptance by it of the certificate herein granted. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.

5. Within ten days after service is furnished to the public under the authority granted herein, applicant shall file in this proceeding written notice thereof to the Commission.

6. Beginning with the year 1969, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of 3 percent. This rate shall be used pending further order of the Commission. Applicant shall review the depreciation rate, using the straight-line remaining life method, when major changes in depreciable utility plant composition occur and at intervals of not more than five years, shall revise the depreciation rate in conformance with such reviews, and, upon completion of such review, shall submit promptly in writing to this Commission the results thereof.

7. Applicant shall set up formal books of account in conformity with the Uniform System of Accounts for Class D Water Utilities established by this Commission and record therein the appropriate charges to plant and cash and other accounts; and credit Account 200, Common Stock, for the stated value of stock actually issued, not to exceed \$28,000, and Account 203 for any amounts by which actual costs, when ascertained, exceed the amount of stock issued.

8. The certificate herein granted is authorized based upon applicant's compliance with the agreement, hereinafter referred to as Exhibit 2, which applicant executed with the developer of Tract Nos. 451 and 457 and adjacent undeveloped property for which a certificate is being requested.

9. Applicant shall collect the sum of \$870 from the Constructors Research Corporation, hereinafter developer, in accordance with Exhibit 2, and submit proof of deposit of said sum in a bank or savings institution concurrently with the filing of the tariffs set forth in paragraph 2.

10. Applicant shall enforce paragraph 2 of Exhibit 2 which states that no lot, parcel, or portion of the land in the aforementioned areas shall be sold, transferred or encumbered by the developer, unless at the time of said sale, transfer, or encumbrance the developer pays to applicant the sum of \$290 for each of the lots or parcels as shown on Exhibit C-1, D and E attached to Application No. 49728 before the Public Utilities Commission of the State of California, said sum to be deposited with appropriate escrow instructions for deposit into an interest bearing special account of applicant in any bank or savings institution, which said

bank or savings institution shall be unaffiliated with either developer or applicant, and that at the time of said deposit, there shall be accompanied therewith escrow instructions providing for said deposit into said account, and said sum shall be held separate from other cash accounts of applicant; that the funds in said special account, with its earned interest, shall only be used for out-of-pocket operating costs, repairs, maintenance and replacement of facilities of applicant, exclusive of any management fees or salaries to be paid to the stockholders or affiliated developers, to the extent operating revenues are deficient. It is further ordered that no withdrawals from said special account shall be made without the prior written notification of this Commission in a statement signed by a responsible officer of applicant that such withdrawal and consequent expenditure is necessary for the continued operation of applicant and provision of service to its customers within the certificated service area as set forth in this order.

11. Applicant, at the end of the first partial or full year of operation, and concurrent with the timely filing of its annual report to this Commission, shall file a verified statement showing, for the special fund account, deposits thereto and amounts and purposes for withdrawals therefrom, and the year-end balance.

12. At the end of the tenth year following the sale of the last lot or parcel in the certificated area or at an earlier date, if appropriate, applicant may request this Commission for authority to transfer to its general or unrestricted cash account any balance in such special fund provided it can show the need for such special fund will not continue.

13. Applicant shall not extend nor furnish service outside of the area certificated by this order without authority first having been obtained from this Commission.

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 San Francisco, California, this 29th day of APRIL, 1969.

William J. Sproule
President

Morgan

John P. Hennessey

William J. Sproule

Commissioners

APPENDIX A
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Schedule No. 1

ANNUAL METERED SERVICEAPPLICABILITY

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

TERRITORY

Tract Nos 451 and 457 and vicinity, near Three Rivers, Tulare County.

RATES

		Per Meter Per Month
Monthly Quantity Rates:		
First 1,000 cu. ft. or less		\$ 5.25
Next 4,000 cu. ft., per 100 cu. ft.20
Next 5,000 cu. ft., per 100 cu. ft.15
Over 10,000 cu. ft., per 100 cu. ft.12

		Per Meter Per Year
Annual Minimum Charge:		
For 5/8 x 3/4-inch meter		\$ 63.00
For 3/4-inch meter		69.00
For 1-inch meter		95.00
For 1 1/2-inch meter		132.00
For 2-inch meter		170.00

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)

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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 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.

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Schedule No. 2A

ANNUAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

Tract Nos. 451 and 457 and vicinity, near Three Rivers, Tulare County.

RATES

	<u>Per Service Connection</u> <u>Per Year</u>
For a single-family residential unit, including premises not exceeding 8,500 sq. ft. in area	\$72.00
a. For each 100 sq. ft. of premises in excess of 8,500 sq. ft.36

SPECIAL CONDITIONS

1. The above annual 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.
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.

(Continued)

Schedule No. 2A

ANNUAL FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Continued)

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.

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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

Tract Nos. 451 and 457 and vicinity, near Three Rivers, Tulare County.

RATE

	<u>Per Month</u>
For each hydrant	\$2.00

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates 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 the 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.