

ORIGINALDecision No. 75936

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SIERRA HIGHLANDS)
 WATER COMPANY, a California cor-)
 poration, for an extension of)
 service.)

Application No. 51108
 Filed May 26, 1969

O P I N I O N

Sierra Highlands Water Company (hereinafter referred to as applicant or Sierra Highlands) requests authority to extend service to Unit 1-M of the Lake Don Pedro subdivision located in Mariposa County, as set forth in the diagonally lined orange portion of the map, Exhibit A, attached to the application and also requests authority to execute a water main extension agreement with Boise Cascade Properties, Inc.¹ (hereinafter referred to as Boise-Cascade), according to the terms as set forth in Exhibit C attached to the application.

The total potential subdivision area consists of approximately 11,000 acres. By Decision No. 74677, dated September 11, 1968, in Application No. 50262, applicant was authorized to serve Unit 2 of Lake Don Pedro subdivision, which contains 576 lots. Said decision contained a restriction against extending service beyond Unit 2 without prior Commission authority. By Decision No. 75296, dated February 4, 1969, as amended by Decision No. 75374, dated February 25, 1969, in Application No. 50632, applicant was authorized to extend service to Unit 3 consisting of approximately 568 lots; however, applicant was required to complete the backup facilities serving Units 2 and 3 by December 31, 1969, and was restricted

¹ Formerly known as Pacific Cascade Land Company, Inc. (Exhibit B).

against extending service beyond Units 2 and 3 without prior authorization of the Commission.

The staff engineer's report, dated July 7, 1969, of his investigation of this matter is hereby received as Exhibit 1.

By the instant application applicant seeks authority to extend service to Unit 1-M, which consists of 987 acres divided into 455 residential lots. The area is to be served by 14.6 miles of paved roads and streets which will require approximately 11.4 miles of in-tract distribution mains. The estimated increment to the plant account of applicant is \$484,500, which would be advanced by Boise Cascade pursuant to the main extension agreement. The proposed extension includes not only the in-tract distribution mains but also includes a booster station of 200-gpm capacity, and a 250,000-gallon distribution reservoir.

With respect to the backup facilities and the in-tract distribution facilities, the staff estimates completion of backup facilities consisting of the intake structure, transmission line, treatment plant, main trunk line through Units 2 and 3 and a storage tank by the middle of July 1969 and that such facilities will provide water to the boundary line of Unit 1-M. The application shows that the remaining backup facilities consisting of the main trunk line to and the central storage tank located in Unit 2 will be completed shortly after the foregoing facilities; that the in-tract distribution facilities in the certificated areas are scheduled for completion in November 1969; that as soon as possible Boise Cascade will let contracts for the main trunk extension and distribution system in Unit 1-M with the estimated date of completion being in early 1970.

Boise Cascade has deposited with the County of Mariposa performance bonds in the aggregate amount of \$1,584,312 and has endorsed the same naming applicant as an obligee thereunder securing Boise Cascade's obligation under the main extension contract covering Unit 1-M in the amount of \$484,500.

A surety bond in the amount of \$91,000, with applicant being named as the obligee, has been provided by Boise Cascade for the purpose of guaranteeing funds to meet operating deficits of Unit 1-M for a period of 10 years from 1972 through 1981.

Similarly, a surety bond in the amount of \$235,000 was provided to guarantee the payment of operating losses to be incurred in furnishing service in Units 2 and 3. Obtaining funds from a surety to pay operating losses conceivably could be a long, difficult and costly process. We believe there should be a procedure established which will enable the utility to pay all of its operation costs on a current basis. Therefore, applicant is placed on notice that no further service area expansions will be authorized in the Lake Don Pedro development until, instead of surety bonds, a satisfactory agreement has been negotiated with the parent company, Boise Cascade Corporation, to provide cash annually in advance, in the amount of the estimated annual out-of-pocket expenses of the water system operations insofar as operating revenues are deficient.

After consideration the Commission concludes that applicant should be authorized to extend service to Unit 1-M pursuant to the terms of the main extension agreement as set forth in Exhibit C attached to the application, subject to the conditions hereinafter set forth.

O R D E R

IT IS ORDERED that:

1. Sierra Highlands Water Company is authorized to extend water service to Lake Don Pedro Unit 1-M located in Mariposa County east of the Don Pedro Reservoir, as delineated by the diagonally lined portion of the map, Exhibit A, attached to the application.

2. Applicant is authorized to execute a main extension agreement with Boise Cascade Properties, Inc. of Delaware in the approximate amount of \$484,500 to finance the in-tract water system of Unit 1-M including approximately 152 meters at a cost of \$6,000, backup or special facilities in the amount of \$50,000 and compensation of \$14,500 required by the Merced Irrigation District. In consonance with the requirement of ordering paragraph 2.b of Decision No. 74677, dated September 11, 1968, in Application No. 50262 and ordering paragraph 2.b of Decision No. 75296, dated February 4, 1969, applicant is authorized and directed to incorporate in its main extension agreement covering Lake Don Pedro Unit 1-M special refund provisions which require that until such time as the utility has on hand sufficient operating cash surplus to meet its reimbursement obligations, refunds accruing to the developer will be credited to paid-in-surplus, or the utility will request authority to issue capital stock in payment. Applicant is authorized to deviate from its filed main extension rule to include under the 22 percent of revenue refund provision meters, backup facilities and compensation payable to the Merced Irrigation District.

3. After the effective date of this order, applicant is authorized to file revised tariff sheets, including tariff service area maps, to provide for the application of its present tariff schedules to the area authorized herein. Such filing shall comply

with General Order No. 96-A. The effective date of the revised tariff sheets shall be four days after the date of filing.

4. Compliance by applicant with paragraph 3 of this order shall constitute acceptance of the right and obligation to furnish public utility water service to the area covered by Unit 1-M. The authority granted herein shall expire unless said notice is filed within eighteen months after the effective date of this order.

5. 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 with this Commission.

6. 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.

7. Applicant shall not extend facilities or offer to serve any areas outside of Lake Don Pedro Units 2, 3 and 1-M 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 the date hereof.

Dated at San Francisco, California, this 15th day of JULY, 1969.

President

Commissioners

Commissioner Fred P. Morrissey, being -5- necessarily absent, did not participate in the disposition of this proceeding.

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