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ORIGINAL

Decision No. 77527

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of YOSEMITE SPRING PARK UTILITY CO., for a certificate of public convenience and necessity to construct a Public Utility Water System in an unincorporated area of Madera County, to establish rates for service and for an order authorizing the issuance of capital stock.	Application No. 51679 Filed January 30, 1970

Denslow Green, for Yosemite Spring Park Utility Co., applicant.
Edmund S. Cary, for State Department of Public Health, interested party.
Tedd F. Marvin and John J. Gibbons, for the Commission staff.

O P I N I O N

This application requests a certificate of public convenience and necessity to construct a public utility water system in an unincorporated area of Madera County, about two miles west of State Highway 41 and five miles south of the town of Coarsegold. It is approximately 30 miles north of Fresno. The application also requests authority to issue stock and to establish rates for water service.

The staff recommended that the proposed water system be limited in size, to serve only a portion of the subdivision consisting of 518 one acre or larger lots, in an area designated as Unit 1. The entire development is known as the Yosemite Lakes Park Subdivision. It consists of approximately 6,700 acres in the Sierra Nevada foothills, at elevations ranging from 1,050 to 2,000 feet above sea level. The area was formerly used for grazing cattle. The terrain

varies from gently rolling slopes to extremely steep inclines along the ridges. The north side of the area is adjacent to the Fresno River and is approximately five miles above the site of the proposed Hidden Dam which is designed to have an active impoundment capacity of 85,000 acre-feet. Plans call for 4,792 acres to be subdivided into 2,253 residential lots with a minimum size of one acre and a maximum size of 16 acres. A total of 29 acres will be used for commercial purposes; 33.9 acres for a mobile home park and 10 acres for camping. A total of 1,378 acres will be reserved for recreation. This area will include five lakes or ponds with a combined surface of approximately 39 acres and a 9-hole golf course. A clubhouse has been constructed adjacent to a 29-acre lake. The developer advised, by a letter dated March 19, 1970, that articles of incorporation have been filed for the Yosemite Lakes Owners Association which will control the recreation area and facilities beginning five years after the first subdivision unit is placed on the market.

Yosemite Lakes Park is being developed by Yosemite Lakes, Inc., a California corporation, which is a wholly owned subsidiary of Titan Group, Inc., a Delaware corporation. The latter corporation has its main office in Los Angeles with 70 subsidiaries throughout the United States. Titan is engaged in construction of homes and office buildings on the east coast; in business computers and service; in land development of 12,000 acres near Redding, California, in addition to Yosemite Lakes Park; in real estate sales and building, managing and selling hotels and motels; in constructing office buildings in Wisconsin, Louisiana and Oklahoma; in managing apartments in Los Angeles, Washington, D. C., and New York City and in leasing 13 acres of hangars and aircraft parking space at Van Nuys Airport near Los Angeles. Total revenues in 1969 totaled $48,972,000. Net income was $2,534,000.

R. L. Bakman is president of the applicant corporation. He has been operating water companies since 1948 and is now vice president of Bakman Water Company, a public utility corporation on the east side of Fresno, with 1,079 customers on December 31, 1969. Bakman Water Company is to operate and maintain the proposed water system for a period of five years, with Bakman as president of applicant herein. Bakman is to receive 50 percent of applicant's common stock when the system is completed and certificated by this Commission and 10 percent additional each year for five more years. Bakman will continue to operate the applicant's system from his office in Fresno.

A public hearing was held in Fresno on May 20, 1970, before Examiner Fraser, to explore the available water supply, the applicant's proposed sewage system and obtaining of a water supply permit from the State Department of Public Health.

A vice president of Titan Group, Inc. testified that the subdivision will consist of one acre, or larger lots; will have more than 50 miles of roads; and will be protected by guards and gates around the clock with admission restricted to owners and their invited guests. He testified that Titan and the applicant will accept and join in the staff recommendation that the certificate prayed for be limited in area to the 518 lots in Unit No. 1. He advised Titan has a bond (slightly under $3 million) on file with the county to guarantee construction of an adequate sewer system and a second bond of $650,000 to insure construction of 50 permanent homes on the site; Titan has also agreed to deposit $100,000 in cash with the county as security for future debts.

Water Supply

The staff has estimated that 335 acre-feet of water will be needed to maintain Unit No. 1 along with the golf course and lake

for an average year. The probable hot weather (annual) 4-day peak requirement on Unit No. 1 is 2,016,000 gallons.

Applicant has more than 30 wells in the project area. Ten of the wells produce a total of 520 gpm or 720,000 gallons (2.2 acre-feet) per day. The other wells do not provide enough water to justify further development. The staff noted the unreliability of wells in a dry season. Applicant has arranged an additional source of water by purchasing 740 acres which adjoin the subdivision and Coarsegold Creek. This acreage will be used for a reservoir to store 1,000 acre-feet of water, to be obtained from the Fresno River by agreement with the Madera Irrigation District. It was noted that the additional annual surface water supply of 2,000 acre-feet from the Fresno River should provide an adequate alternate supply of water.

Distribution System

The distribution system for the entire 6,700 acres will consist of 65,000 feet of 4-, 6- and 8-inch A.C. (Asbestos Cement) or PVC (plastic) mains. Service will be 1-1/4-inch plastic, each providing two 3/4-inch taps to adjoining lots. All services will be metered. Customer service will provide pressures from 30 to 100 psi, depending upon the location on the system. There will be 39 fire hydrants and fire flows will be provided as required by Madera County Ordinance No. 274. The system has 19 pressure zones supplied by booster pumps and pressure control valves. There will be five storage tanks, all located in or adjacent to Unit 1, with capacities between 20,000 and 79,000 gallons, totaling 269,000 gallons. Pressure control valves will maintain a maximum pressure of 100 psi and safety valves will be installed in addition to air relief valves. Applicant has indicated that the water system for Unit No. 1 could be completely constructed in four months.

Water Quality

The quality of well water supply is satisfactory as defined by the United States Public Health Service Drinking Water Standards with the exception that manganese and iron exceed .05 mg/l and .30 mg/l, respectively. Applicant proposes to use calgon feeders, the use of which causes these normally precipitable metals to remain in solution.

A geologist retained by the applicant suggested that the well water be continuously monitored for pollution if sewage is disposed of by septic tanks. Applicant's engineer agreed that a series of ordinary septic tanks, especially if close together, might pollute well and surface water. He testified that applicant's lots are acre size or larger, which will keep the septic tanks apart. He further testified that applicant was requiring each lot purchaser to install a patented sewage treatment plant produced by the Cromaglass Corporation of Williamsport, Pennsylvania. Each septic tank has a separate treatment unit equipped with a compressor to continuously blow air through the material in the tank. The circulation of air promotes the growth of bacteria, which consumes the sewage and converts it into an odorless gas and water residue. The engineer testified that this system has been used successfully by the Cromaglass Corporation in various locations and that it is comparable to the average municipal sewer system in efficiency, disposal of waste and cleanliness. He advised that septic tanks are preferred in rural areas by many experts, since septic tanks deposit waste in small quantities at widely spread locations at intermittent periods. Enclosed sewer systems collect all waste at central points and then have to dispose of it. The latter process is very expensive and always makes somebody unhappy.

The staff suggested that the system be evaluated by the State Department of Public Health and that no certificate be issued until applicant receives a water supply permit from the State Department of Public Health.

Copies of the application were mailed to Indian Wells Water Company and Coarsegold Highland Water System, nearby public utilities. An additional copy was mailed to Madera County, which requires that all new subdivisions be provided water by a "community water system that shall be operated as a public utility."

Utility Plant Costs

Applicant's adjusted estimate on plant costs for Unit No. 1 is shown in the following tabulation:

Utility Plant Costs

Ac. No.	Item	Applicant's Exh. I	Staff Adjustments	Staff Adjusted Plant Costs: Backup Facilities	Staff Adjusted Plant Costs: Intract Facilities	Staff Adjusted Plant Costs: Total
301	Intangible Plant	$ 1,000	$ -	$ 1,000	$ -	$ -
306	Land	20,000	-	20,000	-	-
315	Wells	18,700	-	18,700	-	-
324	Pumping Equipment	17,300	-	17,300	-	-
332	Water Treatment Equipment	-	1,000	1,000	-	-
342	Reservoirs and Tanks	13,600	-	13,600	-	-
343	Water Mains	266,293	-	-	266,293	-
345	Services	13,585	-	-	13,585	-
346	Meters	25,080	(22,500)	2,580	-	-
348	Hydrants	17,550	-	-	17,550	-
371	Structures	25,000	(25,000)	-	-	-
	Total	418,108	(46,500)	74,180	297,428	371,608

(Decrease)

In this tabulation "Intract Facilities" are considered to be those financed by advance contracts according to Paragraph C.1.a. of Rule No. 15, Main Extensions. The staff added $1,000 for water treatment facilities because of the necessity to provide calgon feeders. Investment in meters was reduced to reflect the staff's estimate that only 10 percent of the lots would be served within

10 years. Applicant's estimate for structures was eliminated because there appears to be no need for a structure to serve the first unit.

Rates

Applicant requests the following rates for service:

All General Metered Service

Service Charge:	Per Month
3/4-inch meter	$ 4.00
1-inch meter	5.25
2-inch meter	10.00
4-inch meter	30.00
6-inch meter	50.00
Quantity Rates:	
First 10,000 cu.ft., per 100 cu.ft.	$ 0.25
Over 10,000 cu.ft., per 100 cu.ft.	.20
For all water delivered to the lakes:	
First 10,000 cu.ft., per 100 cu.ft.	.125
Over 10,000 cu.ft., per 100 cu.ft.	.10

The service charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the monthly charge computed at the quantity rates.

Fire Hydrant

For each fire hydrant	$10.00

Applicant's proposed rates are too low for the residential customers considering the cost of pumping and treating the water supply, and the high maintenance costs for a system with the density of fewer than one customer per acre. The staff recommended the following rates to be charged on an annual basis, since the

development will consist of summer homes, occupied only a part of the year.

Annual Service Charge:	Per Meter Per Month
For 3/4-inch meter	$ 60.00
For 1-inch meter	30.00
For 1-1/2-inch meter	115.00
For 2-inch meter	150.00
For 3-inch meter	275.00
For 4-inch meter	370.00
For 6-inch meter	615.00

Quantity Rate:	Per Meter Per Month
First 10,000 cu.ft., per 100 cu.ft. ..	$0.25
Over 10,000 cu.ft., per 100 cu.ft. ..	.20

The service charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge computed at the quantity rate, for water used during the billing period.

Applicant has estimated that there will not be sufficient income to cover expenses until 1975. The staff is not as optimistic. Using 500 as the total of lots in Unit No. 1, the staff estimates the following revenues:

Years of Operation	Est.No. Customers	Est.Gross Revenues	Years of Operation	Est.No. Customers	Est.Gross Revenues
1	5	$ 425	6	30	$2,550
2	10	850	7	35	2,975
3	15	1,275	8	40	3,400
4	20	1,700	9	45	3,825
5	25	2,125	10	50	4,250

The staff has recommended that the subdivider contribute $100 to the water company for each lot sold, until the utility becomes self-supporting. It was further recommended that this loss reimbursement fund be retained by the utility for at least 15 years or until the revenues exceed the out-of-pocket costs by 20 percent, whichever period is the longest.

Financing

Applicant has listed $418,108 as the cost of constructing its initial utility plant. It has requested that construction be financed by issuing 5,000 shares of $100 par value stock. The staff recommended that all of the intract plant of the applicant (other than meters) be financed in accordance with the advance provisions of the main extension rule which all utilities are required to file and that the initial stock issue be limited to the estimated cost of the plant noted in the "Utility Plant Costs" graph previously provided herein, and recorded in Accounts 301 through 342 and Account 346, totaling $74,180, plus an additional $5,000 for working cash. The staff also suggested that the main extension contract covering the intract facilities in the initial unit should be held by the utility as an investment with refunds credited to cash surplus as they are earned.

Findings and Conclusion

1. Applicant has an adequate and healthful supply of water for the 518 lots in Unit No. 1.

2. Applicant's primary source of water will be wells, with a supplementary supply from the Fresno River stored in reservoirs to be constructed.

3. Applicant was granted Water Supply Permit No. 70-028 on June 5, 1970, by the State Department of Public Health, which describes the well water as "pure, wholesome and potable", providing that it is tested monthly for bacteria and chlorinated whenever it is found to be necessary.

4. Applicant should be limited to the issuance of 800 shares of its $100 stated value common stock for an aggregate of $80,000 to

provide a working capital and to finance the following:

Utility Plant Costs included in Accounts 301 through 342, and Account 346.

5. The effective date of this decision should be the date it is signed, to eliminate unnecessary delay.

6. Applicant should be required to finance all intract facilities, included in Accounts 343, 345, 347 and 348, by means of the Commission's uniform main extension rule which applicant will file as part of its tariffs.

7. That developers should agree to turn over the main extension contract to the utility to be held as an investment, with refunds being credited to capital surplus as they become due. These refunds will be considered as additional capital investment.

8. Applicant should be required to enter into a loss reimbursement agreement in a form acceptable to the Commission which will require the developers to pay to applicant $100 per lot upon the sale or transfer by the developers of lots in Yosemite Lakes Park Subdivision, Unit 1, to pay out-of-pocket expenses which exceed gross operating revenues, such funds to be deposited in an interest bearing special fund account of the utility separate from other cash accounts, in a bank or savings and loan association in California.

9. The fund with its earned interest should be used insofar as operating revenues are deficient, only for out-of-pocket operations, repairs, maintenance and replacement of facilities. Expenditures from the fund for replacement of plant facilities should be made only after letter approval from this Commission.

10. Money remaining in the fund after 15 years, which has not been used should be returned to the developers or their designee providing the system revenues for the calendar year have exceeded by 20 percent the total system out-of-pocket expenses.

11. Applicant and its stockholders have the financial resources to operate the proposed system.

12. The rates set forth in Appendix A attached hereto are fair and reasonable for the service to be rendered.

13. 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.

14. 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.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Yosemite Spring Park Utility Company, authorizing it to construct a public utility water system to serve Yosemite Lakes Park Subdivision, Unit 1, near Coarsegold, Madera County, as delineated on the map in Exhibit 10 herein.

2. Applicant is authorized to file, after the effective date of this order, the schedule 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 and shall become effective on the fourth day after the date of filing.

3. Compliance by applicant with paragraph 2 of this order shall constitute acceptance by it of the right and obligation to furnish public utility water service to 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.

4.a. Within one year after the effective date of this order, applicant may issue not to exceed 800 shares of its $100 par value capital stock, for the purpose specified in the findings herein.

b. 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.

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 to this Commission.

6. Applicant shall prepare and keep current the system of 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 map.

7. Applicant shall obtain, from the developer, title to all real property and easements necessary for utility operations.

8. Beginning with the year operations are first commenced, applicant shall determine depreciation accruals by multiplying the depreciable utility plant by a rate of 3 percent. This rate shall be used until review indicates it should be revised. 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 to this Commission the results thereof.

9. Applicant shall set up formal books of accounts in conformity with the Uniform System of Accounts for Class D Water Utilities prescribed by this Commission and record therein the appropriate charges to plant and other accounts. A credit to Account 200, Common Stock, shall be made for the stated value of stock actually issued, not to exceed $80,000, and a credit to Account 203, Capital Surplus, for any amounts by which actual costs, when ascertained, exceed the amount of stock issued.

10. Applicant shall finance intract facilities, Accounts 343, 345, 347 and 348 by means of the Commission's uniform main extension rule which applicant is required to file as part of its tariffs.

11. Applicant shall execute an agreement with the developers which provides that developers agree to turn over the main extension contract to the utility to be held as an investment, with refunds being credited to capital surplus as they become due. These refunds will be considered as additional capital investment.

12.a. Applicant shall enter into a loss reimbursement agreement in a form acceptable to the Commission which required the developers to pay to applicant $100 per lot upon the sale or transfer by the developer of lots in Yosemite Lakes Park Subdivision, Unit 1, to pay out-of-pocket expenses, which exceed gross operating revenues. Such funds shall be deposited in an interest bearing account of the utility separate from other cash accounts, in a bank or savings and loan association in California; further that the fund, with its earned interest, should be used insofar as operating revenues are deficient, only for out-of-pocket operations, repairs, maintenance and replacement of facilities. Expenditures from the fund for replacement of plant facilities may be made only after letter approval from this Commission. Two copies of this agreement shall be filed with the Commission concurrently with the filing of the tariffs authorized in ordering paragraphs of this decision.

b. Upon the fifteenth anniversary of the initial deposit, providing the system revenues for the calendar year have exceeded by 20 percent the total system expenses in the above-listed categories, any amount remaining in the loss-reimbursement fund not utilized shall be refunded to the developer or paid to their designee.

c. Applicant shall, not later than March 31 of each year, furnish the Commission with an accounting of all additions to and disbursements from the fund.

13. Applicant shall not extend service outside of Yosemite Lakes Park Subdivision, Unit 1, without further authority of this Commission.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 21st day of JULY, 1970.

Chairman

Commissioners

Commissioner A. W. Gatov, being 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.

Schedule No. 1RA

ANNUAL METERED SERVICE

APPLICABILITY

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

TERRITORY

Yosemite Lakes Subdivision and vicinity, Madera County.

RATES

	Per Meter Per Year
Annual Service Charge:	
For 3/4-inch meter	$ 60.00
For 1-inch meter	80.00
For 1½-inch meter	115.00
For 2-inch meter	150.00
For 3-inch meter	275.00
For 4-inch meter	370.00
For 6-inch meter	615.00

	Per Meter Per Month
Quantity Rate:	
First 10,000 cu.ft., per 100 cu.ft.	$ .25
All over 10,000 cu.ft., per 100 cu.ft.	.20

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge computed at the Quantity Rate, for water used during the billing period.

(Continued)

Schedule No. 1RA

ANNUAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The annual service 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 service charges in advance at intervals of less than one year in accordance with the utility's established billing periods. Meters will be read and quantity charges billed quarterly in accordance with the utility's established billing periods 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 annual metered service shall be the established annual service 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. 3MA

ANNUAL IRRIGATION METERED SERVICE

APPLICABILITY

Applicable to all metered golf course and lake fill water service furnished on an annual basis.

TERRITORY

Yosemite Lakes Subdivision and vicinity, Madera County.

RATES

	Per Meter Per Year
Annual Service Charge:	
For 3/4-inch meter	$ 60.00
For 1-inch meter	80.00
For 1½-inch meter	115.00
For 2-inch meter	150.00
For 3-inch meter	275.00
For 4-inch meter	370.00
For 6-inch meter	615.00
Quantity Rate:	
Per Acre Foot	$ 43.00

The Service Charge is applicable to all metered irrigation service. It is a readiness-to-serve charge to which is added the charge computed at the Quantity Rate, for water used during the billing period.

(Continued)

Schedule No. 3MA

ANNUAL IRRIGATION METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The annual service charge applies to service during the 12-month period commencing January 1 and is due in advance. Meters will be read and quantity charges billed monthly, bimonthly or quarterly in accordance with the utility's established billing periods 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 irrigation metered service shall be the established annual service 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

Yosemite Lakes Subdivision, Madera County.

RATE

	Per Month
For each hydrant	$10.00

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1RA, 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.