

ORIGINAL

Decision No. 79407

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of A. C. Nejedly, dba West Beaumont Water Company, for a Certificate of Public Convenience and Necessity to operate a water system and to sell water in the South West Quarter, Section 5, Township 3 South, Range 1 West, San Bernardino Base and Meridian, located in Riverside County, California, and to establish rates.

Application No. 52753  
(Filed July 14, 1971;  
Amended August 26, 1971;  
2nd amendment filed  
September 13, 1971)

O P I N I O N

By this application, as amended, applicant seeks a certificate of public convenience and necessity authorizing him to furnish domestic water to the southwest quarter of Section 5, Township 3 south, Range 1 west, SBB&M. This proposed service area is in the City of Beaumont, California. The applicant also seeks authority to establish rates.

The following information is from the staff's report filed herein as Exhibit No.1, and from the application as amended.

Proposed Area and Water System

Applicant is the owner of the land hereinbefore described which he intends to develop into a mobile home park. The entire area owned by applicant comprises 150 acres.

The initial development (Phase I) is Tract No. 4043, containing 53 lots of 6,000 square feet each and which are to be sold, and a mobile home section of approximately 10 acres divided into 124 lots of 3,700 square feet each, which are to be rented. Upon completion of Phase I, it is applicant's intention to proceed with the development of Phase II consisting of 50 additional lots.

The service area will contain service buildings, recreational facilities and a small golf course.

The applicant's utility plant for Phase I includes one well 14-inches in diameter drilled in 1959 to a depth of approximately 510 feet and producing approximately 400 gallons per minute. Applicant, for Phase I, proposes to drill a new well and equip both wells to produce a minimum total of 750 gallons per minute. He will install hydro-pneumatic tanks at each source of supply. The distribution system for Phase I is to include 1,910 feet of 8-inch diameter pipe and 2,090 feet of 6-inch diameter pipe. The system for Phase II is to consist of 2,315 feet of 6-inch diameter pipe and 120 feet of 4-inch diameter pipe.

All mains are to be Class 150 asbestos cement. Applicant proposes at a later date, when required, that above-ground storage, together with booster pumps will be constructed. The proposed water system, as designed, conforms to the Commission's General Order No. 103. There are to be four fire hydrants as requested by the City of Beaumont.

Water service to the trailer rental park is to be supplied by a 6-inch diameter master meter. All other lots will be individually metered. The water system was designed and is to be operated and maintained by the engineering firm of A. A. Webb and Associates.

The applicant's estimated construction cost for the two phases are as follows:

<u>ITEMS</u>	<u>PHASE I</u>	<u>PHASE II</u>
Wells (2)	\$30,800	\$ -
Pump equipment and appurtenances (2)	27,100	-
Distribution mains, valves, services and hydrants	29,700	18,500
Meters	1,500	-
Structures	2,000	-
Totals	<u>91,100</u>	<u>18,500</u>

Applicant's proposed rates are as follows:

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Southwest quarter, Section 5, Township 3 south, Range 1 west,  
S.B.B. & M.

RATES

Per Meter  
Per Month

Service Charges:

For 5/8 x 3/4-inch meter .....	\$ 3.50
For 3/4-inch meter .....	3.75
For 1-inch meter .....	4.00
For 1-1/2-inch meter .....	7.00
For 2-inch meter .....	9.50
For 3-inch meter .....	12.00
For 4-inch meter .....	15.00
For 6-inch meter .....	25.00
For 8-inch meter .....	35.00
For 10-inch meter .....	45.00

Quantity Rates:

For the first 10,000 cu.ft., per 100 cu.ft.....	\$ 0.175
For all over 10,000 cu.ft., per 100 cu.ft.....	0.15

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.

Financing

Applicant claims to have a net worth of \$1,184,600. He estimates the value of the land dedicated to public service and of which he is the owner at \$390,000. He alleges that he will be willing to absorb operating losses during the period when operating revenues are less than operating expenses. Applicant presented the following estimated operating results:

ESTIMATED OPERATING RESULTS

<u>Account No.</u>	<u>Description</u>	<u>1st Yr. 30 Services</u>	<u>5th Yr. 400 Services</u>	<u>10th Yr. 600 Services</u>
602	Unmetered Water Revenue	\$1,250	\$16,500	\$24,600
605	Fire Protection Revenue	--	--	--
501	Operating Revenues	\$1,250	\$16,500	\$24,600
726	Power for Pumps	\$1,040	\$ 4,000	\$ 5,400
735	Operation and Maintenance (Material)	150	1,000	2,000
736	Operation and Maintenance (Contract)	500	1,500	2,000
792	Office Supplies	100	900	1,300
793	Insurance	150	300	400
798	Accounting, Legal & other services	300	1,800	2,000
799	General	<u>100</u>	<u>400</u>	<u>500</u>
501	Operating Expenses	\$2,600	\$10,300	\$13,400
503	Depreciation	\$2,750	\$ 5,000	\$ 5,200
507	Taxes	<u>250</u>	<u>500</u>	<u>500</u>
	Sub Total Dep. and Taxes	<u>\$3,000</u>	<u>\$ 5,500</u>	<u>\$ 5,700</u>
	GRAND TOTAL EXPENSES	\$5,600	\$15,800	\$19,100

Supplemental information to the application indicates that the utility operation will be economically feasible when approximately 400 customers are being supplied water by applicant. Applicant estimates this will be in or prior to the fifth year of operation. Ultimately, applicant expects 600 individual lots and 200 spaces in the rental park will be served.

The staff engineer recommended that the application be granted subject to certain conditions which are contained in the order herein.

The water system in the town of Beaumont is operated by the Beaumont Irrigation District. It has informed the Commission that it has no objection to the granting of applicant's request and has no intention of servicing the applicant's proposed service area. The other purveyor in the vicinity, San Geronio Pass Water Agency, was advised of the application and did not indicate opposition to the application.

Neither the City of Beaumont nor the County of Riverside requires the payment of any franchise fees.

Findings and Conclusion

On the report of the staff Hydraulic Branch filed herein as Exhibit No. 1, and the pertaining allegations of the pleadings, the Commission finds that:

- (1) The land owned by the applicant is in the City of Beaumont, California. It is without a domestic water system.
- (2) The City of Beaumont does not desire to extend water service to the area owned by applicant and has no objection to applicant developing and installing a water system in the area.
- (3) There is no other water purveyor in the area ready, willing and able to furnish water to applicant's land.

(4) Public convenience and necessity require that the application be granted as set forth in the ensuing order, subject to the conditions therein contained.

(5) Applicant possesses the financial resources to construct and operate the proposed water system.

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

(7) Applicant's water supply and distribution facilities will provide reasonable service for the proposed certificated area and meet the minimum requirements of General Order No. 103.

(8) A county or city franchise is not required.

(9) A public hearing is not necessary.

#### Conclusions

We conclude:

(1) The application should be granted subject to the conditions set forth in the order herein.

(2) The certificate hereinafter granted shall be subject to the following provision of law:

The Commission shall have no power to authorize the capitalization of the franchise involved herein or these certificates of public convenience and necessity, or the right to own, operate or enjoy such franchise or certificates 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 franchise, certificates of public convenience and necessity or right.

O R D E R

IT IS ORDERED that:

(1) A. C. Nejedly is hereby granted a certificate of public convenience and necessity to construct and operate a public utility water system to serve 103 residential lots and 124 mobile home rental spaces in the southwest one-quarter of Section 5, Township 3 South, Range 1 West, SBB&M in the City of Beaumont, California, and as shown on Exhibit No. 1 on the second amendment to the application, subject to the following conditions:

- (a) Applicant shall drill an additional well and equip both sources of supply so as to provide a minimum of 750 gpm to the distribution system, as proposed in the amended application. Applicant is restricted to the area specified in the second amendment to the application until a safe yield of both sources of supply can be estimated and the adequacy determined of the total water supply as related to requirements of the Commission's General Order No. 103. Applicant shall not construct or offer to extend facilities to serve beyond the area certificated herein without further order of this Commission.
- (b) In order to prevent a loss of cash funds required to satisfy payment of main extension refund agreements, applicant shall execute an agreement with the developer which provides that the developer convey to the utility the main extension contract for the financing of water mains, services and hydrants in the area certificated herein, to be held by the utility as an investment with refunds being credited to applicant's proprietary capital as they become due.

- (c) The developer shall establish an operating fund to insure the continued operation of the water system in providing water service to the existing customers until such time as the water revenues are sufficient to meet the operating costs. These funds should be used only to the extent that out-of-pocket expenses exceed gross revenues. Applicant shall execute a loss-reimbursement agreement, in a form acceptable to the Commission, pursuant to which the developer will pay to the utility (to be deposited in a separate interest-bearing account in a bank or savings and loan association in California) the following amounts upon the initial sale or transfer by them of any lots within the subdivision:

For the first 50 lots, \$200 per lot;  
For the next 50 lots, \$100 per lot;  
For the next 50 lots, \$ 75 per lot;  
For the next 50 lots, \$ 50 per lot;  
For all lots in excess of 300 lots, \$25 per lot;  
For each rental space in a trailer rental park;  
\$25 per space.

Such funds, together with interest thereon, shall be used only for paying the following costs of the utility and only to the extent that water service revenues are less than expenditures:

1. Out-of-pocket (cash) expenses properly chargeable to the below listed accounts in the Uniform System of Accounts for Class D Water Utilities prescribed by Decision No. 69950, dated November 16, 1965:



- a. Ac. 704, Purchased Water
  - b. Ac. 726, Power
  - c. Ac. 734, Operation and Maintenance -  
Employee Labor
  - d. Ac. 735, Operation and Maintenance -  
Materials
  - e. Ac. 736, Operation and Maintenance -  
Contract Work
  - f. Ac. 507.1, Property Taxes.
2. Replacement or improvement of plant facilities to serve the subdivision provided that such expenditures have first been authorized by a letter from the Secretary of this Commission.

Upon the 20th anniversary of the initial deposit, or upon service to 400 active service connections, any amount of monies remaining in the loss-reimbursement fund which has not been utilized, shall be refunded to the developer or paid to his designees. For the purpose of determining the number of active service connections, each occupied rental trailer space shall be considered to be an active service connection. Applicant shall provide the developer with an annual statement (no later than March 31) each year, detailing the proper distribution and amount of all additions and withdrawals from the fund during the prior calendar year, together with the balances in the fund at the close of the year. Two copies of this shall be filed with the Commission.

(2) Applicant be, and he is, authorized to file with this Commission within thirty days after the effective date of this order, the schedule of rates set forth in Appendix A attached to this order, together with rules and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96-A; such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

(3) Applicant shall file with the Commission within forty days after the effective date of this order four copies of a comprehensive map drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

(4) Applicant shall procure and dedicate to water utility purposes the lots or areas on which the wells and reservoirs are, or are to be, located and easements or permits where the pipeline mains are, or are to be, located other than in public streets, and shall file, within sixty days after the effective date of this order one copy of each appropriate document showing such procurement, dedication, easement or permit.

(5) Applicant shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant. Applicant shall review the accruals as of January 1, 1974, and thereafter when major changes in utility plant composition occur and at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

(6) Applicant shall maintain his accounting records on a calendar year basis in conformance with the prescribed Uniform System of Accounts for Class D Water Utilities and shall file with the Commission, on or before March 31 of each year, an annual report of his operations in such form, content, and number of copies as the Commission, from time to time, shall prescribe.

(7) In all other respects the application be and it is hereby denied.

Dated at San Francisco, California, this 23<sup>rd</sup> day of NOVEMBER, 1971.

William J. ... Chairman  
[Signature]  
[Signature]  
[Signature] Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Southwest quarter, Section 5, Township 3 south, Range 1 west,  
S.B.B. & M.

RATES

	<u>Per Meter</u> <u>Per Month</u>
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For 6-inch meter .....	25.00
For 8-inch meter .....	35.00
For 10-inch meter .....	45.00

Quantity Rates:

For the first 10,000 cu.ft., per 100 cu.ft. ....	\$ 0.174
For all over 10,000 cu.ft., per 100 cu.ft. ....	.15

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.