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ORIGINAL

Decision No. 80070

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of BACHAN S. TEJA,
doing business as Teja Buena Water
Company, for a certificate of pub-
lic convenience and necessity under
Section 1001 of the Public Utili-
ties Code.

} Application No. 53083
} (Filed January 3, 1972;
} Amended Jan. 26 and 31, 1972)

O P I N I O N

By this application Bachan S. Teja, doing business as Teja Buena Water Company, requests a certificate of public convenience and necessity to construct and operate a public utility water system near Yuba City in Sutter County. He also requests authority to establish rates for service.

A report, presented in April 1972 by the Commission staff, has been made a part of the record as Exhibit 1.

Affiliation and Management

Bachan S. Teja is the owner and developer of Teja Buena Subdivision Units Nos. 1 and 2. Contingent upon granting a certificate to operate a public utility water system Subdivision Unit No. 2 will be developed for the purpose of constructing single dwelling residences by a construction contractor. Applicant proposes to manage and operate the water company with one additional employee.

Applicant also owns an area contiguous to Subdivision Unit No. 1, about 8.5 acres, which will be developed at a later date for construction of residences or for a 64-unit trailer court. Should the trailer court be built, it is tentatively planned that it will be managed by applicant.

Proposed Service Area

The proposed service area is situated in the vicinity of the intersection of Hooper and Tierra Buena Roads about 3 miles west of Yuba City in Sutter County. The area may be more particularly described as being in Elmer Tract in T.15 N., R.3 E., M.D.B.& M., filed in the office of the County Recorder of Sutter County on February 4, 1908, in Book 1 of Surveys, page 61. It embodies the following three areas:

- a. Teja Buena Subdivision Unit No. 2, a recently developed subdivision, an area approximately 12 acres, contains 39 lots suitable for residential construction. All the subdivision improvements, including the water distribution system, have been completed. The applicant reported that a firm of general contractors has offered to commence construction of the individual homes within three to six months after the applicant is certificated by the Commission to operate a public utility.
- b. Teja Buena Subdivision Unit 1, a completed subdivision, an area of approximately 8 acres, contains 26 occupied and 1 vacant lots. Water for the 26 homes is obtained from privately owned individual shallow wells and pressure systems. Waters in these private wells have been reported by the residents to be extremely hard, requiring chemical treatment at an average monthly cost of \$11 per well, not counting power cost and maintenance. It is probable that eventually most of the residents will request water service from the utility, since the utility is in a position to deliver good quality water at substantially lower cost to the homeowners in this subdivision.
- c. The applicant's tract of undeveloped property is an area of approximately 10 acres. This 10-acre parcel includes the applicant's residence, four residential lots on the south side of parcel and about 8.5 acres of walnut orchard. Tentative plans for the parcel call for the development of either a 64-unit trailer court or 24 residential lots suitable for single-family dwellings.

The terrain in the proposed service area is generally flat. Elevation ranges from 52.7 feet to 54.0 feet above sea level. Residential lots in the subdivisions average approximately 9,000 square feet with the largest being approximately 11,500 square feet and the smallest being about 3,500 square feet. Final subdivision maps have been filed for both Subdivisions Units Nos. 1 and 2 at the Sutter County Recorder's office. A maximum of 130 service connections are contemplated in the proposed service area. Should the applicant elect to develop his present undeveloped property into 24 residential lots in lieu of the proposed trailer court, the maximum service connections proposed would be reduced to 90.

The nearest water systems are those of the City of Yuba City, Bryn Marr Mutual Water Company and Westgate Water Company. Westgate Water Company is a public utility operating under the jurisdiction of this Commission and is located about 5 miles southeasterly from the Teja Subdivision. The Municipal Water Department of Yuba City is serving approximately 3 miles from applicant's proposed water system and Bryn Marr Mutual Water Company operates approximately 1 mile from the applicant's subdivision. Representatives from these three water systems have expressed no interest in serving the area.

Description of Water System

The source of water supply for this system is a well located on the southwest corner portion of Lot 36 of Teja Buena Subdivision Unit No. 2. The well is 14 inches in diameter, 175 feet deep and equipped with a multiple bowl turbine pump, directly connected to a 30-hp electric motor. The well was tested continuously for 72 hours from 11 p.m. February 14, 1972 to 11 p.m. February 17, 1972. The pump delivered 830 gallons per minute and 590 gallons per minute of water at operating pressures of 14.6 psi and 46.1 psi, respectively, directly into a 5,000-gallon hydropneumatic tank. Pump efficiency at operating pressure of 46.1 psi was 59 percent. This low efficiency is attributable to the fact that the pump was designed to operate at higher heads due to a high fire-flow requirement by the County Fire Marshal. The characteristic

charts for this pump indicate that it should operate at 82 percent efficiency against a total lift of 160 feet, or at operating pressure of approximately 69.3 psi. In addition, the pump was designed to operate at maximum efficiency under the maximum demand during the summer months when the well drawdown would be substantially increased and a total pumping head would approach 160 feet.

The distribution system located within Subdivision Unit No. 2 consists of approximately 2,090 feet of 6-inch Class 150 asbestos cement pipe. Galvanized service pipes to each parcel are 1-1/4-inch in diameter. Three Greenberg No. 76 Fire Hydrants are located within Subdivision No. 2. All pipes, fittings, valves and appurtenances were installed in accordance with the specifications of the American Water Works Association.

Auxiliary Water System

Applicant has agreed to construct a standby source for the existing water system by December 31, 1972. The auxiliary system will consist of a new well 125 feet deep with 10-inch casing, located in the vicinity of the existing well. The well will be equipped with a 550-gpm, 20-hp submersible pump and will be connected to the existing 5,000-gallon pressure tank. The submersible pump should be wired so that it will operate in conjunction with the 30-hp turbine pump to supply the maximum demand. A backup facility for use in case of power failure will consist of a 6-cylinder, 100-hp propane or gasoline fuel motor which will be installed and connected to a right angle gear train to act as an emergency power unit. All functions of the backup facilities are designed to be manually operated.

The water system as designed and constructed is capable of furnishing adequate service to the subdivisions herein described and conforms with the minimum requirements of this Commission's General Order No. 103, Rules Governing Water Service Including Minimum Standards for Design and Construction. The applicant has acquired the water supply permits from the County Health Department

and county franchise is not required. A recent chemical analysis indicated manganese concentration of 0.21 mg/l. Public Health Service Drinking Water Standards specify the maximum allowable manganese concentration as 0.05 mg/l. Applicant has agreed to install treatment facilities under the direction of the Sutter-Yuba County Health Department.

Accounting Records

The tabulation shown below, taken from Exhibit 1, sets forth the staff's determination of the balances in the plant accounts from an analysis of contractors' invoices, construction progress payment estimates and other supporting documents.

Utility Plant - March 31, 1972

Item	Direct Actual Cost	Estimated Engineering Cost	Total
Intangible Plant ...	\$ 1,075.00	\$ -	\$ 1,075.00
Land	5,000.00	-	5,000.00
Well	2,102.50	120.12	2,222.62 ^a
Pumping Equipment ..	5,354.62	305.92	5,660.54 ^a
Reservoirs and Tanks	3,045.00	173.96	3,218.96
Water Mains	12,189.50	826.53	13,016.03
Services	3,800.00	257.67	4,057.67
Meters	0	0	0
Meter Installations	0	0	0
Hydrants	1,500.00	101.71	1,601.71
Structures	150.00	0	150.00
Total Plant Cost	34,216.62	1,785.91	36,002.53

- a. These items will require adjustment when the construction of the backup facilities is completed. Applicant estimated the cost of the backup facilities to be approximately \$7,000. This sum was excluded in the above tabulation.

Rates

Applicant proposes a monthly flat rate service charge of \$8 for each single-family dwelling, including premises not exceeding 9,000 square feet in area, an additional \$3 for each single-family residential unit on the same premises and served from the same

service connection, \$0.04 for each 100 square feet of premises in excess of 9,000 square feet and \$1 for each swimming pool. A minimum meter rate of \$6 per month is proposed for the first 700 cubic feet or less per month with \$0.30 per 100 cubic feet for the next 2,300 cubic feet and \$0.20 per 100 cubic feet over 3,000 cubic feet.

The staff recommends a basic flat rate of \$6 per month and a minimum charge of \$4.50 per month for a 5/8- and 3/4-inch meter. These rates compare generally with the rates of nearby utilities operating under similar conditions.

Estimated Operating Results

From information furnished by applicant, the staff compiled the following table of estimated operating results for the first 10 years:

: Operating:	: Estimated	:	: Out-of-Pocket:	: Operating	:
: Year	: Service	: Revenues ^b	: Expenses	: Cash Flow	:
:	: Connections ^a	:	:	:	:
1st	10	720	\$ 3,620	\$(2,900)	:
2nd	16	1,152	3,656	(2,504)	:
3rd	25	1,800	3,693	(1,893)	:
4th	32	2,304	3,730	(1,426)	:
5th	40	2,880	3,767	(887)	:
6th	48	3,456	3,805	(349)	:
7th	70	5,040	3,900	1,140	:
8th	80	5,760	3,939	1,821	:
9th	85	6,120	3,978	2,142	:
10th	90	6,480	4,018	2,462	:
Accumulative Totals		35,712	38,106	(2,394)	:

(Red Figure)

a. Estimated average number of customers.

b. Based on the staff recommended monthly flat rate of \$6 per month per connection.

Economic Feasibility

According to the staff, it is evident that for many years this utility will not generate sufficient revenues to cover out-of-pocket expenses or depreciation, let alone provide any return on

plant investment. Applicant has offered to absorb all the losses during the development period, and had acquired letters of intent for application of water service from two separate parties amounting to an additional 75 service connections, through a loss reimbursement fund to recover out-of-pocket expenses. Staff research indicates a maximum number of possible connections under these conditions to be 284, including the two proposed possible future service area extensions.

The staff believes that the intract facilities of the applicant should be financed in accordance with the main extension rule. It is also appropriate for the subdivider to transfer the main extension contracts covering the initial plant to the utility to hold as an investment, with refunds being credited to the proprietary capital of the utility as they are earned.

Loss Reimbursement Fund

Under the circumstances and based upon the estimated operating results, the staff believes that the subdivider should be required to provide a sum to reimburse the utility for out-of-pocket operating losses incurred during the developmental period.

Based upon the estimated operating results and Commission staff experience, the staff suggests payments of \$200 per lot to the utility each time a lot is sold to provide a sum which should be sufficient to cover the out-of-pocket expenses of this utility during the developmental period. If such funds are not required by the utility for the purposes indicated, any unexpended funds should be returned to the subdivider as soon as the utility's operating revenues are adequate.

Community and Environmental Considerations

The Sutter-Yuba County Health Department is in favor of the formation of this utility for the following reasons:

- a. Individual wells in Subdivision Unit No. 2 are prohibited due to the possible contamination from the private leach fields.

- b. In Subdivision Unit No. 1, residents will be encouraged to discontinue their private water supply and apply for service from the applicant for reasons listed in a, c and d.
- c. Good, safe and adequate amount of potable water can be better assured under the jurisdiction of the Commission.
- d. Applicant's ability and willingness to provide sufficient quantities of water in meeting the local fire-flow requirements is also an asset to the community.

The residential community in Subdivision Unit No. 1 and the proposed single-family dwellings in Subdivision Unit No. 2 are acceptable to the Sutter County Planning Commission. The staff engineer could discern no detrimental effect on recreation and park areas, historical and aesthetic values or influence on environment.

The Commission finds that:

- 1. Public convenience and necessity require that the application should be granted as set forth in the following order.
- 2. Applicant possesses the financial resources to construct and operate the proposed system.
- 3. The rates set forth in Appendix A attached hereto are fair and reasonable for the proposed service.
- 4. Applicant's proposed system will provide reasonable service for the proposed certificated area and meet the minimum requirements of General Order No. 103.
- 5. A water supply permit has been obtained from the public health authority having jurisdiction in the area.
- 6. A composite depreciation rate of 3 percent is reasonable for this system.

The Commission concludes that:

- 1. The application should be granted as set forth in the ensuing order.
- 2. Applicant should file rules, standard forms and other tariff sheets as needed to define the conditions of rendering public utility service.

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 on notice that the authorization herein given is not to be construed as a finding of value of his 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 Bachan S. Teja, doing business as Teja Buena Water Company, authorizing him to construct a public utility water system to serve a subdivision known as Teja Buena Subdivision Units Nos. 1 and 2 and a 10-acre parcel located to the east of the two subdivisions.
2. Applicant is authorized to file, after the effective date of this order, the schedules of rates set forth in Appendix A to this order, tariff service area maps 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 the tariff schedules shall become effective on the fourth day after the date of filing.
3. The authority granted herein shall expire unless the designated tariff sheets are filed within one year after the effective date of this order.
4. 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.

5. Applicant shall prepare and keep current the system map required by paragraph 1.10.a. of General Order No. 103. Within thirty 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.

6. For the year 1971 and thereafter, 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. By December 31, 1972, the applicant shall have installed a standby source of water to provide for the reasonable continuation of an adequate supply of potable water to customers in case of the failure of the initial single source of supply. Within thirty days after such standby facilities are installed, applicant shall file a written report showing the number of customers then served and the details of the manner in which the requirement of this paragraph has been accomplished.

8. Applicant be required to set up formal books of account in accordance with the Uniform System of Accounts for Class D Water Utilities.

9. Applicant shall establish a separate bank account for the water operation, deposit all receipts therein, and make all disbursements therefrom.

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 developer which provides that developer agrees to assign the main extension contract to the utility to be held as an investment, with refunds being credited to applicant's proprietary capital as they become due.

12.a. Applicant shall enter into a loss reimbursement agreement in a form acceptable to the Commission which requires the developer to 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 150 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:
 - Ac. 704, Purchased Water,
 - Ac. 726, Power,
 - Ac. 734, Operation and Maintenance - Employee Labor,
 - Ac. 735, Operation and Maintenance - Materials,
 - Ac. 736, Operation and Maintenance - Contract Work,
 - 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.
3. A maximum of ten percent (10%) of the cumulative amount paid into the fund, exclusive of disbursements therefrom shall be utilized to pay the above expenses in any single year.

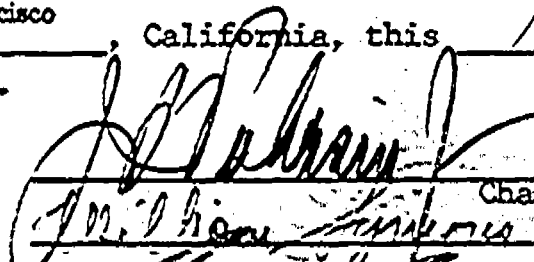
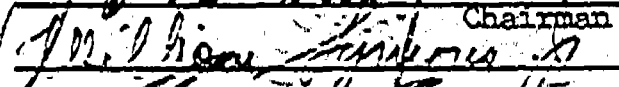


4. No amounts in this fund shall be disbursed to pay salaries or expense of owners, officers or members of owner's family.

12.b. Upon the 20th anniversary of the initial deposit, any amount remaining in the loss reimbursement fund not utilized shall be refunded to the developer or paid to his designee. If, prior to the 20th anniversary of the initial deposit, the utility is providing water service at rates authorized herein to a sufficient number of active services to be earning a reasonable return on its investment, either the utility or the developer may request a letter from the Secretary of the Commission directing the utility to refund any unexpended balance in the loss reimbursement fund to the developer or his designee. For purposes of determining the number of active services as referred to in this subparagraph, each occupied rental trailer space shall be considered to be an active service.

12.c. Applicant shall provide the developer with a statement not later than March 31 of each year, detailing the purpose, description and amount of all additions to and withdrawals from the fund during the prior calendar year, and the balance in the fund at the close of the year. Two copies of this statement shall concurrently be filed with the Commission, attention of the Finance and Accounts Division. Two copies of said loss reimbursement agreement shall be filed with the Commission, attention of the Finance and Accounts Division, concurrently with the filings of tariffs authorized herein.

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

Dated at San Francisco, California, this 17th day of MAY, 1972.


Chairman



Commissioners

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Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The subdivisions known as Teja Buena Subdivisions 1 and 2, and vicinity, located approximately 3 miles west of Yuba City, Sutter County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 700 cu.ft. or less	\$ 4.50
Next 2,300 cu.ft., per 100 cu.ft.30
Over 3,000 cu.ft., per 100 cu.ft.20

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 4.50
For 3/4-inch meter	5.75
For 1-inch meter	8.00
For 1 1/2-inch meter	13.00
For 2-inch meter	18.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The subdivisions known as Teja Buena Subdivisions 1 and 2, and vicinity, located approximately 3 miles west of Yuba City, Sutter County.

RATES

Per Service Connection
Per Month

For a single-family residential unit, including premises not exceeding 9,000 sq.ft. in area	\$6.00
a. For each additional single-family residential unit on the same premises and served from the same service con- nection	3.00
b. For each 100 sq.ft. of premises in excess of 9,000 sq.ft.04
c. For each swimming pool	1.00

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than $1\frac{1}{2}$ -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 or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.

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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

The subdivisions known as Teja Buena Subdivisions 1 and 2, and vicinity, located approximately 3 miles west of Yuba City, Sutter County.

RATE

Per Month

For each hydrant	\$2.00
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SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges shall be made at the quantity rates under Schedule No. 1, 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.