

Decision 84 02 055

FEB 16 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 River Island Water Company, a)
 California corporation, for a)
 certificate of public convenience)
 and necessity to extend its present)
 service area boundary, construct a)
 public utility water system and to)
 establish rates for service.)

Application 83-10-16
 (Filed October 11, 1983)

O P I N I O NSummary

River Island Water Company (Company) is a public utility with an existing service territory in an unincorporated area in Tulare County east of Porterville. It seeks an order permitting expansion into a noncontiguous service territory. This order authorizes the expansion, with conditions.

History and Description

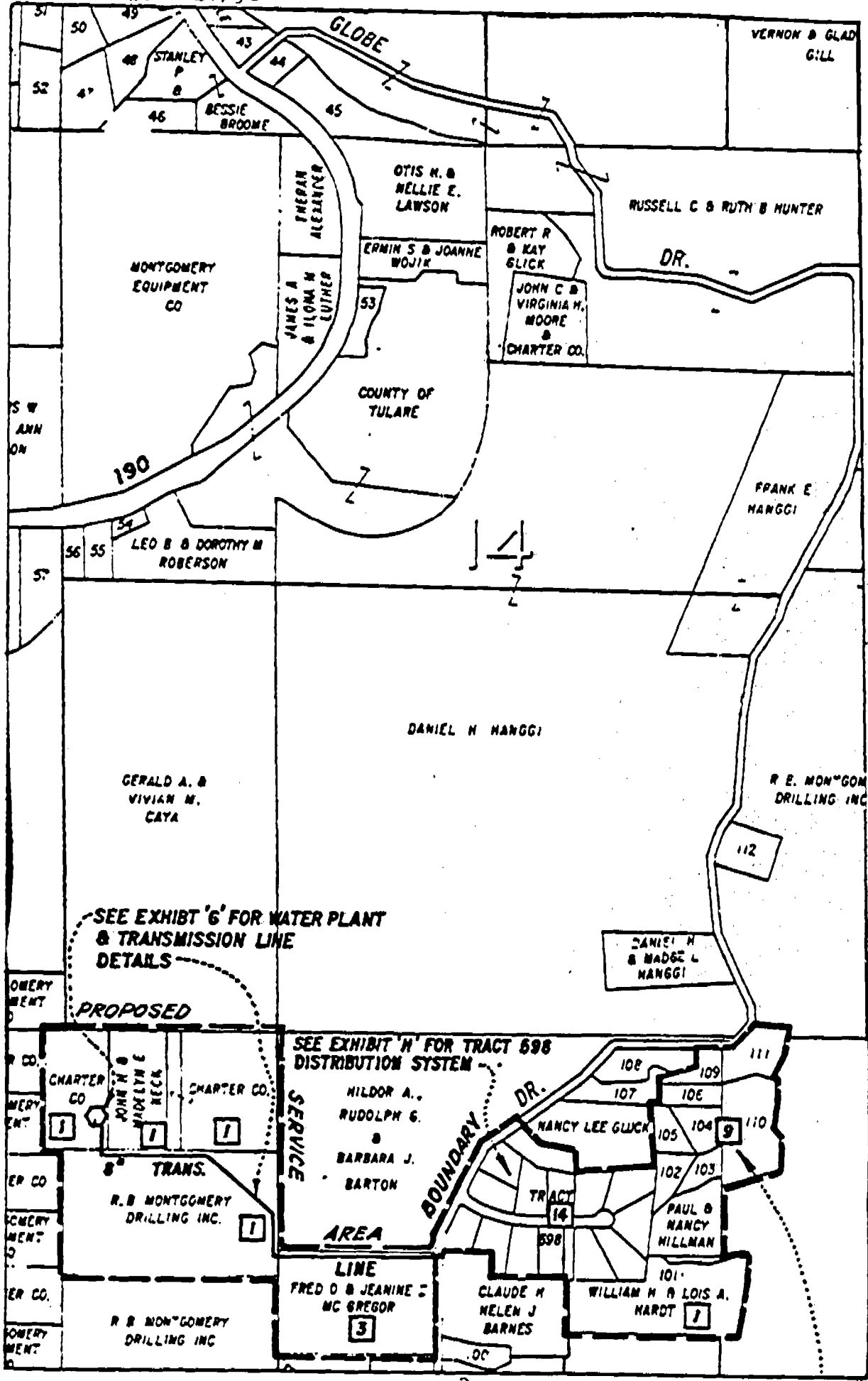
Company, a corporation, is a wholly owned subsidiary of Montgomery Equipment Company of Bakersfield. It commenced serving its present area, also located east of Porterville, in 1963. The existing service area is a residential subdivision comprising about 50 acres with about 40 connections.

Exhibits submitted with the application demonstrate that both Company and its parent corporation are financially sound.

Need for Service

The application requests certification for an additional area of approximately 90 acres with a total of 31 initial service connections. The system has been constructed and is serving nine existing residences, an as-yet unsold 14-lot subdivision ("Graham Creek Estates") and eight other probable customers.

The new area is noncontiguous to the present system, and approximately two miles east of it. The nearest other water purveyors are Triple E Mutal Water Company, the closest point of which is about one and one-half miles west, and Springville Public Utility District, about two miles north. The map on the following page, reproduced from part of an exhibit to the application, shows the area specifically.



SEE EXHIBIT 'G' FOR WATER PLANT & TRANSMISSION LINE DETAILS

PROPOSED

SEE EXHIBIT 'H' FOR TRACT 598 DISTRIBUTION SYSTEM

SERVICE AREA

BOUNDARY DR.

TRACT 14

Copies of the application were served upon the aforementioned water system and the Tulare County Board of Supervisors. There are no protests to the application. Additionally (see letter in formal file dated October 13, 1983), Triple R Mutual Water Company specifically rejected an invitation to expand eastward at its most recent annual meeting, and Springville Public Utility District presently is operating under a moratorium against further expansion.

The system will be supplied with water from two wells with a total capacity of approximately 148 gallons per minute. The Hydraulic Branch (Branch) of the Commission's Utilities Division reviewed two preliminary drafts of the application and the application itself, requesting additional information on the engineering of the system, principally additional well capacity tests. The Branch is now satisfied that the supply will be adequate to serve the total of 31 customers, although additional water supply will, in the Branch's opinion, be necessary to serve customers beyond the 31.¹

According to the application, the wells are interconnected to two storage tanks at the water plant, and the tanks have a capacity of 73,000 gallons. This capacity exceeds that required under General Order 103 for 31 connections. The system also meets or exceeds Tulare County fire flow and other requirements.

The estimated new plant value at the end of one year is \$125,950 and after five years \$103,150. The estimated net utility plant costs are \$112,001 for the first year and \$17,386 for the fifth year. Hydraulic Branch reviewed these estimates and considers them reasonable. Costs of building the system will be entered on the company books as a contribution made by Charter Company, the

¹ Detailed engineering drawings were submitted with the application. Hydraulic Branch reviewed the drawings. A field investigation was not conducted.

developer of the 14-lot subdivision, which is another wholly owned subsidiary of Montgomery Equipment Company.

Rates, Customer Billing,
And Administration

The current operating manager will serve the new area along with the existing area. Billing for existing area is handled by the parent corporation's Bakersfield office. Meter readings and billings are on a monthly basis. This practice will apply to the new area.

The application requests that the existing area's rates apply to the new area. Since the areas are similar, this is satisfactory (see Appendix A.)

It is no doubt desirable to make the rates in a new (or proposed) subdivision as attractive as possible, and for simplicity to use the same rates for the two service areas, but there are other considerations which are important from a regulatory standpoint.

The first is whether it would be fair to those living in a well-established noncontiguous service area to burden them with possible future rate increases traceable to the cost of additional plant and improvements in an area larger than the original, two miles away, and in no way interconnected (or conversely whether it would be fair to burden those in a newer area with large plant investment which might be necessary in a much older area in order to modernize).

The answer is no, although we need not assume at this point that the problem will occur. For the present, the Company will be allowed to keep books and file advice letters for rate and tariff changes on a combined basis. In the future, however, if remarkable differences in plant investment or operating expenses between one area and the other occur so that fairness requires separate rates, we may require separate books, separate advice letter filings, and separate results of operation.

The second regulatory problem is whether rates themselves should be subject to marked changes in the near future. The Company

has set rates at a noncompensatory level, at least for the first two years. We will look with disfavor upon abrupt and substantial rate increases in the near future, and if we are convinced that any advice letter filing falls into this category, we will convert the filing into a formal application and require a full showing.

Environmental Issues

With the review by Tulare County of the proposed developments in the new service area, the issues relating to environment were fully considered, and a full environmental impact report was completed. (See attachments to the application.) No further environmental analysis is necessary.

Expansion of Service

Because water supply in the proposed service area is limited, service should be limited to the existing and presently proposed connections, totaling 31. If the Company desires to increase beyond that number, a formal application should be made containing an adequate showing that water supply will be adequate for the additional service.

Findings of Fact

1. Company is a public utility with an existing service territory noncontiguous to the territory for which a certificate is sought.
2. Company is financially capable of serving the new territory.
3. The new territory is located east of Porterville in Tulare County and consists of 31 initial service connections.
4. The construction and proposed construction of the system is adequate to serve the 31 connections.
5. Water supply in the general area of the new service territory is limited.
6. Company is capable of providing adequate customer service and billing.

7. No alternate source of providing domestic water to the existing and proposed development in the new service territory is currently available.

8. A full environmental impact report, which includes issues relating to supply of water, was completed for Tulare County in the process of approving the development.

9. It is reasonable to use the rates already in effect for Company's existing territory for the new territory at this time.

Conclusions of Law

1. No environmental analysis by this Commission is necessary.
2. No public hearing is necessary.
3. The application should be granted, subject to the conditions in the order.
4. Initial rates for service should be those in effect in the existing service territory.
5. The effective date of this order should be today to avoid further delay in commencement of operations.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to River Island Water Company (Company) to serve an area of approximately 90 acres with 31 total service connections located adjacent to Globe Drive, south of Highway 190 in Tulare County east of Porterville, as shown on the map reproduced in the opinion section of this decision. The original service territory of the Company shall be known as "Service Territory No. 1" and the new territory as "Service Territory No. 2."

2. Initial rates, charges, and service conditions for Service Territory No. 2 shall be the same as presently in effect for Service Territory No. 1, as set forth in Appendix A to this decision.

3. Company shall make formal application to this Commission for any expansion, including expansion into contiguous territory, beyond the presently existing or planned 31 connections.

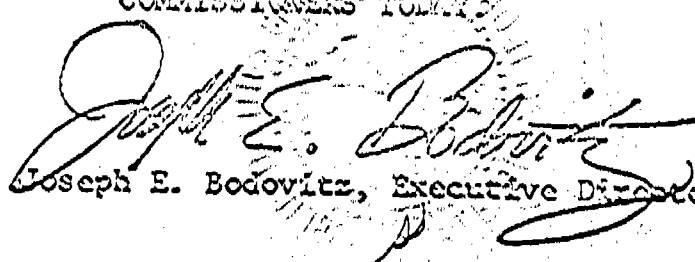
This order is effective today.

Dated FEB 16 1984, at San Francisco, California

LEONARD M. GRIMES, JR.
President
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Victor Calvo,
being necessarily absent, did
not participate

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

River Island Water Company
Tulare County

Revised
Canceling Revised

Cal. P.U.C. Sheet No. 95-W

Cal. P.U.C. Sheet No. 92-W

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area known as Tract No. 389 and vicinity, adjacent to the River Island Golf Course located approximately 4 miles southwest of Springville, Tulare County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Quantity Rates:	
All water per 100 cu.ft.	\$ 0.63 (I)
Monthly Service Charge:	
For 5/8 x 3/4-inch meter	\$ 5.00
For 3/4-inch meter	7.50
For 1-inch meter	11.00
For 1 1/2-inch meter	18.00
For 2-inch meter	25.00

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice Letter No. 10

Decision No. _____

[Signature]
Name
Secretary - Treasurer
Title

Date Filed OCT 24 1979

Effective JAN 1 1980

Resolution No. W 2584

River Island Water Company
Tulare County

Revised
Canceling Revised

Cal. P.U.C. Sheet No. 96-W
Cal. P.U.C. Sheet No. 93-W

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

The area known as Tract No. 389 and vicinity, adjacent to the River Island Golf Course, located approximately 4 miles southwest of Springville, Tulare County.

RATES

Per Service Connection
Per Month

For a single-family residential unit, including premises not exceeding 12,000 sq.ft. in area	\$15.00 (I)
a. For each 100 sq.ft. of premises in excess of 12,000 sq.ft.	0.10

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All services 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, General Metered Service.

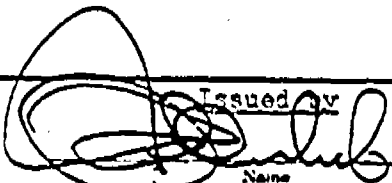
(END OF APPENDIX A)

(To be inserted by utility)

(To be inserted by Cal. P.U.C.)

Advice Letter No. 10

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 Secretary - Treasurer
 Title

Date Filed OCT 24 1979

Effective JAN 1 1980

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