

Decision S4 G7 076

JUL 5 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 Crystal Falls Water Company, a
 California corporation, for a certi-
 ficate of public convenience and
 necessity to construct a public
 utility water system near Sonora in
 Tuolumne and to establish rates for
 service.

Application 84-01-65
 (Filed January 27, 1984)

O P I N I O N

Crystal Falls Water Company (Company), a California corporation, is a public utility presently serving approximately 1,100 customers in an area northeast of Sonora in Tuolumne County. In this application, Company seeks to serve an area noncontiguous to its existing service territory.

The new territory is known as Apple Valley Estates, located about 2.75 miles northeast of Sonora. According to the application, the area consists of about 16.8 acres and contains 22 residential lots, two recreation areas, and a landscaped entrance. All of the lots are over 21,000 square feet. The subdivision is intended to provide quality homesites in clusters surrounding recreational areas. Other utilities are available to all lots.

The subdivision map has been approved by the county. Company has furnished us with a copy of an environmental negative declaration issued by the county.

For presently proposed service, the water system will consist of one well, 6-inch PVC mains, one-inch services, and a 63,000-gallon storage tank. The well will have automatic controls keyed to the water level in the tank. The distribution system will be gravity fed. Pressure at customer connections is estimated at 60 to 100 pounds. The well is 400 feet deep, and satisfactory test results of water quality are completed.

The Hydraulic Branch of the Utilities Division has reviewed the plans of the system and finds them adequate. In a memorandum to the administrative law judge (sent to the applicant and placed in the formal file as Exhibit 1) it notes that the developer has stated its intention of providing additional water supply as part of any future development and recommends that the service area should be limited to 25 service connections (the total presently planned) unless there is an additional water supply.¹

Company wishes to start construction as soon as possible. Company states it is experienced as a contractor and water purveyor and is familiar with operation and maintenance of water systems. Experienced personnel to run the system are already employed to run the Company's existing (Apple Valley) system, eight miles away. Vehicles are radio-equipped.

¹ In a reply letter, applicant has stated it has no objection to the recommendations of the memorandum.

The application estimates that utility plant for the water system is as shown in the following table:

<u>Acct. No.</u>	<u>Account</u>	<u>First Full Year of Operation</u>	<u>Fifth Year</u>
301	Intangible Plant	\$ 4,908	\$ 4,908
306	Land, Rights-of-Way Easements	0	0
	Subtotal Nondepreciable	4,908	4,908
315	Wells	6,967	14,167
317	Other Source of Supply Plant	0	0
324	Pumping Equipment	5,495	11,495
332	Water Treatment Equipment	0	0
342	Reservoirs and Tanks	13,700	55,700
343	Water Mains	45,582	175,000
345	Services	3,000	15,200
346	Meters	2,044	9,000
347	Meter Installations	900	8,100
348	Hydrants	2,700	9,900
372	Office Furniture and Equipment	0	0
373	Transportation Equipment	0	0
374	Other Equipment	0	0
	Total Plant	\$81,988	\$302,062

As it appears in the application, "total plant" is listed as "total depreciable plant" and reserves for depreciation and net plant estimates are included. These do not appear here because the developer intends to contribute the plant and therefore depreciation expense may not be included in rates.

The application states that the following long-term development is anticipated:

<u>Year</u>	<u>Residential Lots</u>	<u>Recreation Areas</u>	<u>Entrance Landscape</u>
1	12	1	1
5	69	6	6
10	138	14	10

Additionally, the application sets forth the following estimated operating results:

	<u>AS OF END OF YEAR</u>		
	<u>First Full</u> <u>Year of</u> <u>Operation</u>	<u>Fifth</u> <u>Year</u>	<u>Tenth</u> <u>Year</u>
Number of Customers (End of Year)	<u>14</u>	<u>81</u>	<u>162</u>
Revenues:			
601 Metered Water Revenue	\$2,760	\$20,880	\$61,200
602 Unmetered Water Revenue	0	0	0
605 Fire Protective Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	2,760	20,880	61,200
Expenses:			
703 Source of Water Supply Expenses-Misc:	0	0	0
704 Purchased Water	0	0	0
726 Power & Fuel for Pumps	600	1,200	3,600
734 Operation & Maintenance-Labor	5,600	10,200	30,600
735 Operation & Maintenance-Materials	0	1,000	3,000
736 Operation & Maintenance-Contract Work	0	0	0
791 Office and Management Salaries	500	1,000	1,500
792 Office Supplies & Expense	50	100	200
793 Insurance Expense	200	400	1,000
798 Accounting, Legal & Other Services	0	200	500
799 General Expense	100	200	300
801 Vehicle Expense	<u>50</u>	<u>150</u>	<u>300</u>
Operating Expenses	7,100	14,450	41,000

As with the plant-in-service table, depreciation expense is deleted because plant is contributed. No taxes are estimated for the first ten years. Return is computed by Hydraulic Branch as -5.45% the first year and 1.63% the fifth year.

In its memorandum Hydraulic Branch notes that the estimated results of operation show more loss in the early years of operation than will actually occur, in particular for operation and maintenance. The Branch considers the minimal operating loss in the first year to be of insignificant effect on Company's other customers.

Meters will be read and bills sent out monthly. Company proposes to use rates used elsewhere in the system, as follows:

	<u>Per Meter Per Year Charge</u>
Annual Service Charge:	
For 3/4-inch meter	\$ 93.00
For 1-inch meter	126.00
For 1 1/2-inch meter	168.00
For 2-inch meter	228.00

	<u>Per Meter Per Month</u>
Quantity Rates:	
First 300 cu.-ft., per 100 cu.-ft.	0.54
Over 300 cu.-ft., per 100 cu.-ft.	0.61

Fire hydrants \$3.00 per month per hydrant

Notice of this application was printed in the March 2, 1984 Sonora Union-Democrat. One consumer objection was received. To the extent that the content of this letter concerns the proposed Apple Valley system rather than other matters, it complains of inadequate water supply for the existing system with the new system on line. However, the systems are separate with separate water sources.

There is no other source of water from the county system or from any other public utility in the vicinity.

Personal financial statements of Neil L. Burckhart, president and principal stockholder of Company, are attached to the application. These demonstrate adequate capital to undertake the project.

Discussion

The application should be granted subject to control over its future expansion to assure adequate water supply. "Units 1 and 2" will include a total of 25 connections. The system is adequate for such service. We cannot determine at this time and on this record whether it is adequate for 69 residential customers in the

fifth year, or 138 residential customers after ten years. We will require a formal application to expand the system beyond 25 connections, regardless of whether such expansion is contiguous to the present system.

Certain areas of the Company's water system have been improved with borrowed funds obtained under the Safe Drinking Water Bond Act. Repayment of these funds is provided by a surcharge to rates in these areas. Apple Valley Estates will not be an area bearing a loan repayment surcharge. For that reason a separate tariff rate sheet for Apple Valley Estates should be filed by Company.

Findings of Fact

1. Company is a public utility with an existing service territory noncontiguous to the Apple Valley Estates territory, for which a certificate is sought.

2. The new territory is located about 2.75 miles north of Sonora, in Tuolumne County. Initial service will consist of 25 service connections.

3. Subdivision map has been approved by the County of Tuolumne, which has completed a negative declaration for the project.

4. Construction and proposed construction of the system are adequate to serve 25 connections. Construction plans and construction meet the requirements of General Order 103.

5. Company is financially capable of serving the new territory.

6. Company is capable of providing adequate customer service and billing.

7. In the immediate vicinity there is no alternate source of providing domestic water to the development, and there is no protest from the county or from any other public or private source of domestic water supply.

8. It is reasonable for the present to use rates of the Company's existing territory for the Apple Valley Estates territory.

9. It is not possible, with this record, to determine adequacy of water supply for expansion beyond 25 connections.

10. Apple Valley Estates will not be an area of Company's operations in which rates bear a loan repayment surcharge.

Conclusions of Law

1. No public hearing is necessary.

2. No environmental analysis by this Commission is necessary.

3. The application should be granted, subject to conditions in the order.

4. Company should file a separate tariff rate sheet for Apple Valley Estates.

5. The effective date of the 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 Crystal Falls Water Company (Company) to serve an area noncontiguous to its present service territory known as Apple Valley Estates Units 1 and 2, as further described in the application and its supporting papers.

2. Initial rates for the Apple Valley Estates service territory shall be the same as for its existing service territory exclusive of any surcharge for repayment of Safe Drinking Water Bond Act loans.

3. Company shall enter the cost of the water system herein approved in its books of record as contributed plant.

4. Company shall make formal application to this Commission for any expansion, including expansion in territory contiguous to Apple Valley Estates Units 1 and 2, beyond the presently planned 25 connections.

5. The application is granted as set forth above.

This order is effective today.

Dated JUL 5 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO

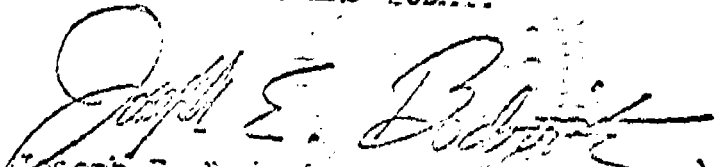
FRISCILLA C. CREW

DONALD VIAL

WILLIAM T. BAGLEY

Commissioners

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


Joseph E. Bodovitz, Executive Director