

Decision 88 01 012 JAN 13 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Hillcrest Water Company, a California)
corporation for a certificate of)
public convenience and necessity to)
construct a public water system)
designated as Hillcrest Water Company)
Region V, near Yuba City, County of)
Sutter, State of California, and to)
establish rates for service.)

Application 87-06-034
(Filed June 22, 1987)

OPINION

Summary of Decision

We grant Hillcrest Water Company's (Hillcrest) application for a certificate of public convenience and necessity (CPCN) to construct a public water system, near Yuba City, County of Sutter, State of California, and to establish rates for service.

Background

On June 22, 1987, Hillcrest filed Application (A.) 87-06-034 requesting (1) a CPCN to construct a public water system, and (2) the authority to establish rates for service.

The application was filed at the request of a developer, Nevis Industries, for construction and operation of a new water system, nearby but not adjacent to the current service area of Hillcrest.

Copies of the application were furnished to Teja Buena Water Company (Teja) and Ranchero Mutual Water Company (Ranchero), the two water utilities which are within one mile of the proposed water system. A copy of the application was also furnished to the Local Agency Formation Commission (LAFCO) and the Board of Supervisors for the County of Sutter.

On August 5, 1987, the Water Utilities Branch (Branch) of the Commission Advisory and Compliance Division issued its report recommending the approval of the application on an ex parte basis.

In preparation of its report, Branch contacted the four parties who were furnished a copy of A.87-06-034. According to Branch, the Board of Supervisors and Ranchero had no comments and/or interest in the application. LAFCO expressed concern over the creation of so many small utilities in a relatively small area. However, LAFCO agreed that Hillcrest is a relatively large utility and it would thus be the most suitable utility in the area to serve the new subdivision. Teja stated that it intended to file a protest.

On September 30, 1987, Teja filed a protest and a motion to accept its late filed protest. Hillcrest received a copy of Teja's proposed protest on September 15, 1987 and sent its response to the protest to the administrative law judge on September 21, 1987. No other protests have been filed.

Service Area

The application seeks certification of an L-shaped area designated as Region V located in the south central portion of Sec. 18 north of, and bordering Highway 20 at a distance of 2-1/2 mile west of Highway 99 near Yuba City in Sutter County. The L-shaped area is about six times larger than the Butte Rancho Subdivision for which its developer has requested water service from Hillcrest. The balance of the L-shaped area is planned for future development. The location map for Region V is attached to the application as Exhibit C.

Construction of System

According to Branch's report, the system is designed with ample capacity for future expansion. The source of water supply for Region V is a well located in the northeast corner of the subdivision. The water quality is good. A standby source of supply is being planned in the near future. Branch believes that

construction of the system will comply with the Commission's General Order No. 103 and quality standards.

Branch is of the opinion that the total plant cost of about \$125,250 is excessive for the initial 29-lot subdivision. However, Branch believes that the investment would be appropriate at this time because of the expected future expansion.

A list of the principal quantities of utility plant materials with estimated installed unit costs is attached to the application as Exhibit H.

Other Agency Requirements

County of Sutter has approved the subdivision map. Hillcrest has met all other agency requirements with respect to its existing customers. Branch anticipates that it will meet them with respect to the new Region V.

An Environmental Impact Report (EIR) for this project was prepared pursuant to the California Environmental Quality Act (CEQA). The Sutter County Planning Commission (SCPC), the lead agency, found the project to be in conformance with the Yuba City Urban Area EIR and General Plan. On October 14, 1986, a Notice of Determination was filed with the Sutter County County Clerk which found that the project will not have a significant effect on the environment.

Operating Finances

During the initial phase of the subdivision, Region V will have only 29 customers. Hillcrest has 1,975 existing customers. Branch believes that the addition of 29 new customers from Region V will have no significant impact on Hillcrest's financial condition.

Operations of the Utility

Operation of this service area will be conducted as part of Hillcrest Water Company. Branch examined Hillcrest's operations as part of the analysis conducted in Hillcrest's last general rate

case (Advice Letter No. 60). Based on its examination, Branch concluded that Hillcrest is qualified to serve the new Region V.

The rates increase authorized in Advice Letter No. 60 became effective April 3, 1987 by Resolution No. W-3340.

The initial subdivision in Region V with 29 customers is expected to require little service effort, particularly since it is a new system and the plant is physically larger than required. Hillcrest's existing service yard is located only 0.6 miles from Region V.

Water Rates

Hillcrest proposes to charge the same basic rates to Region V as are already in effect in all other regions. Hillcrest has been authorized to charge various amounts of surcharges in its existing regions which reflect specific improvements made in those regions financed by a California Safe Drinking Water Bond Act (SDWBA) loan. Since Region V is a new system, Branch recommends that it should not receive a SDWBA surcharge. The proposed rates, excluding the SDWBA surcharge, are shown in Appendix A.

Provisions of Tax Reform Act of 1986

The 1986 Tax Reform Act requires that developers' contributions be treated as taxable income. The Commission has instituted an investigation on its own motion (OII 86-11-019) to evaluate, among other things, the impact of this requirement. On September 10, 1987 the Commission issued Decision 87-09-026 authorizing small water companies to pass these added tax costs on to those who make contributions. Accordingly, Hillcrest will collect from the developer an additional amount sufficient to cover the new income tax liability.

Discussion

We note that Teja filed its protest much later than the 30-day protest period allowed under Rule 8.3 of the Commission's Rules of Practice and Procedure. Although Teja raises certain points that merit some consideration, it does not provide any

justification for filing a late protest. Teja's action cannot be attributed to naivete because Teja operates a water utility system in Sutter County and is expected to be familiar with the Commission's Rules of Practice and Procedure. Therefore, we will deny Teja's motion to accept its late filed protest.

We also note that Branch has analyzed the application and has concluded that Hillcrest is well qualified to serve the new subdivision. We agree with Branch's recommendation that the approval of the requested CPCN is reasonable and not adverse to public interest. Therefore, we will grant Hillcrest's application for a CPCN to add Region V to its existing service area.

We concur with Branch's recommendation that Hillcrest be allowed to charge the same basic rates in Region V as its other regions and that Hillcrest should not receive an SWDBA surcharge for service in Region V since it is an independently financed new system and, therefore, will not be in need of a SDWBA loan.

Findings of Fact

1. Public convenience and necessity require the construction of a public water system to serve the additional area, called Region V of Hillcrest's service area.
2. Hillcrest is qualified to serve the new Region V area.
3. Hillcrest has the financial ability to construct and operate the new water system to serve Region V.
4. The facilities proposed to be installed by Hillcrest are adequate to serve the requested area and will conform to the requirements of General Order No. 103.
5. Hillcrest proposes to charge the same basic rates in Region V as the rates which are already effective in Hillcrest's other regions. Those rates are shown in Appendix A.
6. Hillcrest is authorized to charge various amounts of surcharges in its other regions which reflect specific improvements made in those regions financed by SDWBA loans.
7. Region V is an independently financed new system.

8. Region V will not need a SWDBA loan to improve the water system.

9. Teja has filed a motion to accept its late filed protest.

10. Teja has not provided any justification in support of its motion to file a late protest.

11. SCPC is the lead agency for this project under CEQA, as amended.

12. The Commission is a responsible agency for this project and has reviewed and considered the lead agency's EIR.

13. The project will not have a significant effect on the environment.

14. Branch recommends that the application be granted on an ex parte basis.

Conclusions of Law

1. Hillcrest should be granted a CPCN to construct a public water system to serve the additional area, non-contiguous to its existing service area, called Region V.

2. Hillcrest should be authorized to charge the same rates in Region V as the rates already in effect in its other regions.

3. Hillcrest should not charge a SDWBA surcharge in Region V.

4. Teja's motion to file a late protest should be denied.

5. A public hearing is not necessary in this application.

ORDER

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Hillcrest Water Company (Hillcrest) to construct a public water system to serve the additional area, non-contiguous to its existing service area, called Region V.

2. On or after the effective date of this order, Hillcrest is authorized to extend its existing rates to Region V by filing

the rate schedules attached to this order as Appendix A. Such filing shall comply with General Order 96-A and shall apply to service rendered on and after the effective date of the schedules.

3. Hillcrest shall not charge a SDWBA surcharge in Region V.

4. Teja Buena Water Company's motion requesting the acceptance of its late filed protest is denied.

This order becomes effective 30 days from today.

Dated JAN 13 1988, at San Francisco, California.

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

Commissioner Stanley W. Hulet
being necessarily absent, did
not participate.

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

[Signature]
Victor Weissert, Executive Director
PB

APPENDIX A
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Schedule No. 1

(N)

GENERAL METERED SERVICE
Region V (Butte Rancho Area)APPLICABILITY

Applicable to all metered water service.

TERRITORY

Region V known as Butte Rancho Subdivision, and vicinity, bordering Highway 20 approximately 2-1/2 miles west of Highway 99 near Yuba City, Sutter County.

RATES

<u>Service Charge</u>	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 4.06
For 3/4-inch meter	4.47
For 1-inch meter	6.10
For 1-1/2-inch meter	8.13
For 2-inch meter	10.97

Quantity Rates

First 500 cu.ft., per 100 cu.ft.	0.35
Next 500 cu.ft., per 100 cu.ft.	0.46
Over 1,000 cu.ft., per 100 cu.ft.	0.64

The Service Charge is a readiness-to-serve charge, which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

(N)

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Schedule No. 2R

(N)

RESIDENTIAL FLAT RATE SERVICE
Region V (Butte Rancho Area)APPLICABILITY

Applicable to all flat rate residential and commercial water service.

TERRITORY

Region V known as Butte Rancho Subdivision, and vicinity, bordering Highway 20 approximately 2-1/2 miles west of Highway 99 near Yuba City, Sutter County.

RATES

Per Service Connection
Per Month

For a single-family residential unit including premises, not to exceed 13,000 square feet	\$13.70
Each additional unit on the same premises	6.62
For each swimming pool	2.21
For each 100 sq.ft. of premises in excess of 13,000 square feet	0.07

SPECIAL CONDITIONS

The above flat rate applies to service connection not larger than one-inch in diameter.

(N)

APPENDIX A
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Schedule No. 3
Hillcrest Water Company, Inc.
STATE BOND ACT LOAN FEE FOR UNDEVELOPED LOTS

APPLICABILITY

Applicable to undeveloped lots within all the service areas of Hillcrest Water Company, Inc., as of the effective date of Decision 83-07-004 except Region V, Butte Rancho.

(N)

TERRITORY

The areas of Hillcrest Water Company, Inc., known as East Hillcrest, Westgate and West Hillcrest and vicinity, located approximately two miles southwest of Yuba City, Sutter County. Also, the area of Hillcrest Water Company, Inc., known as New Helvetia and vicinity, located approximately two miles northwest of Yuba City, Sutter County.

RATES

A service fee to provide for reduction of the SDWBA loan surcharge is chargeable to customers requesting future service to undeveloped lots.

The service fee shall be the accumulated total of the monthly surcharge provided for in Schedules 1 and 2R, as applied to the property being furnished water service from effective date of Decision 83-07-004 to the date of the connection. The maximum service fee shall be \$1,000. The service fee shall be due and payable upon connection of water service to the lot. The surcharge authorized by the Commission, as contained in the utility's filed tariffs, will apply thereafter.

The monthly surcharge established by the Public Utilities Commission in Decision 83-07-004 is subject to periodic adjustment. The calculation of the accumulated surcharges shall take into account such periodic adjustments.

(END OF APPENDIX A)