

WATER/SNR/MEY:jrb

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION**

**RESOLUTION NO. W-4547**

**June 30, 2005**

**R E S O L U T I O N**

**(RES. W-4547), VISTA GRANDE WATER SYSTEM (VISTA GRANDE). ORDER APPROVING A CONTRACT ARRANGEMENT BETWEEN VISTA GRANDE AND DEADMOND BROTHERS CONSTRUCTION (DEADMOND BROTHERS) ADDRESSING SPECIFIC PROVISIONS FOR HANDLING THE PROCEDURES OUTSIDE TRADITIONAL MAIN EXTENSION CONTRACT IN TARIFF RULE NO. 15.**

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**SUMMARY**

By Advice Letter No. 28, filed on September 20, 2004, Vista Grande seeks Commission authorization to approve the service area main extension agreement between Vista Grande and Deadmond Brothers with a contract arrangement addressing specific provisions for handling the procedures deviating from traditional main extension contract in Tariff Rule no. 15, Section C.1.c. Certain contract terms dealing with monetary provisions and the transfer of water rights from the developer to Vista Grande require specific conditional approval. This resolution grants approval of the contract conditions.

**BACKGROUND**

Vista Grande is a Class D utility and serves approximately 121-metered customers in a service area that is unincorporated and known as Vista Grande Subdivision and vicinity, located approximately two mile northeast of the City of Red Bluff, Tehama County. With the extension, Vista Grande will serve 142 customers.

Vista Grande requests approval of a contract between the developer, Deadmond Brothers and Vista Grande. Normally, a utility extension of service area to provide service to a new subdivision involves a written agreement that conforms

to the traditional main extension contract incorporated by Tariff Rule 15. In those cases, a Commission decision or resolution is not required. In this case, Commission authorization of the contract between the developer of the subdivision and Vista Grande is required because of specific terms in the contract dealing with monetary provisions and the transfer of water rights from the developer to Vista Grande.

Vista Grande's existing service area includes the unincorporated area known as Vista Grande Subdivision and vicinity, located approximately two miles northeast of the City of Red Bluff, Tehama County.

The contract between Vista Grande and the Deadmond Brothers was executed on August 9, 2004. It addresses the cost of payments for the following items: (1) Construction of the line extension; (2) Construction of drilling a new water well; (3) Construction of a well control building; (4) Deeded well parcel measuring 50 feet x 50 feet; (5) Pump, pump set and pump controls.

## **DISCUSSION**

The line extension and special facilities project will be beneficial to the community:

- There will be an additional water source with a capacity which equals the existing available supply;
- A loop system will be established to increase the dependability of the water supply;
- A new well and loop will provide a significant, healthy addition to Vista Grande Water System. The new well will not only serve the new line extension customers, but will serve also the existing customer base. One existing well has nitrate concentration of 39 ppm, but with the new well, the use of that existing well is not required except during fire emergencies;
- Those residents who live adjacent to Vista Grande and who now have nitrate problems will have the option to connect to Vista Grande.

The cost items in the contract between Vista Grande and Deadmond Brothers are as follows:

1. Water-related materials (pipe, fittings, valves, hydrants)	\$13,408.
2. Labor performed: 340 man hours @ \$35.00/hour	\$11,900.
3. Backhoe time: 122 hours @ \$45.00/hour	\$5,480.
4. Sand and gravel backfill materials	\$1,440.
5. Pavement removal and replacement	\$850.
6. Line tie in at Kaer Avenue	\$465.
7. New water well (by Sullivan Drilling)	\$20,000.
8. Well Control building	\$1,500.
9. Deeded well parcel measuring 50 feet by 50 feet	\$4,500.
10. Pump and pump set (by ALSCO IRR.)	\$9,945.
11. Pump controls and start-up (by RB INDUS. ELECT)	<u>\$7,145.</u>
TOTAL	\$76,633

According to Vista Grande, Deadmond Brothers' project cost is about \$12,000 less than the estimate provided by another company.

The specific terms dealing with monetary provisions for the payments of the above contract amount, as requested by Vista Grande, differ with the approved Tariff Rule No. 15 C.2.c. That Rule states that, whenever costs of main extensions and/or special facilities have been advanced pursuant to Section C.1.a., C.1.b., or C.1.c., the utility shall annually refund to the contract holders an amount equal to 2½ percent of the advances until the principal amounts of the contracts have been fully repaid. The payment terms that Vista Grande is seeking for approval are as follows:

- (a) A first payment of \$12,000.
- (b) The remaining payment of \$64,633 (\$76,633 less \$12,000) will be repaid in multiples of \$5,000. Each payment of \$5,000 will reduce the outstanding balance by \$6,000.

	<u>Actual Payment</u>	<u>Outstanding Balance</u>
		\$64,633
10 payments of \$5,000	\$50,000	\$4,633
Last payment of	<u>\$3,861</u>	\$0
Total actual payment	\$53,861	

This amounts to a savings of \$10,772 (\$64,633 less \$53,861) to the ratepayers. In its Advice Letter filing, Vista Grande states the payment of monies in increments of \$5,000 will be made as monies become available.

In a telephone conversation with a Water Division (Division) staff, Vista Grande indicated that the intent is to discharge the entire debt in a few years. Originally, the accelerated payment schedule as discussed above was not written in the contract signed on August 9, 2004, but was verbally agreed upon between the parties. Subsequently, on June 8, 2005, a letter stating that agreement was faxed to the Commission. The letter was signed by Shan Patterson of Vista Grande and Steve Deadmond of Deadmond Brothers.

The Division recommends approval of the contract subject to special conditions consistent with traditional Rule 15 requirements that are in the public interest. The Division recommends approval of the contract is in the public interest.

### **NOTICE**

A notice of the proposed service area extension was mailed to the City of Red Bluff on September 20, 2004

### **COMMENTS**

This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g)(3).

### **FINDINGS**

1. The Division recommends approval of the contract agreement between Vista Grande and the developer, Deadmond Brothers Construction.
2. Normally, a utility extension of service area to a new subdivision involves a written agreement that conforms to the traditional main extension contract incorporated by Rule 15. In those cases a Commission decision or resolution is not required.
3. In this case, Commission authorization of the contract between the developer of the subdivision, Deadmond Brothers, and Vista Grande is required because of specific terms in the contract terms dealing with monetary provisions which deviates from Tariff Rule 15.

4. The accelerated payment schedule will save ratepayers \$10,772.

**THEREFORE IT IS ORDERED THAT:**

1. Vista Grande Water System is authorized to make accelerated payments to Deadmond Brothers in order to reduce the outstanding balance of the project work.
2. Prior to providing retail service, Vista Grande Water System shall file a service area map per Standard Practice U-17-W.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 30, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President

GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
DIAN M. GRUENEICH  
Commissioners

Commissioner John A. Bohn, being necessarily absent, did not participate.