

Decision No. 45753

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application

of

CAPITOL ACCOMODATIONS, INC.,
a California Corporation

For a Certificate of Public Convenience
and Necessity to Operate a Water Produc-
tion and Distribution System, for the
Establishment of a Flat Rate and a Metered
Rate, for a Permit to Issue Stock, and to
Execute a Corporate Note.

Application No. 32175

Earl D. Desmond for applicant;
Joseph Mezzanares, interested
party.

O P I N I O N

Capitol Accomodations, Inc., a California corporation and applicant in this proceeding, by the above-entitled application filed March 6, 1951, requests a certificate of public convenience and necessity to operate a public utility water system to serve a portion of the subdivision of Rancho Del Paso, entitled Arden Manor, located in Sacramento County, approximately six miles east of the center of the City of Sacramento, California. A map of the subdivision is attached to the application and marked Exhibit "C". Applicant also requests permission to issue 100 shares of common no par value stock for \$10 per share to certain persons listed in the application, to execute promissory notes up to a maximum amount of \$50,000, and to execute security therefor, if required.

A public hearing on this application was held before Commissioner Mitchell and Examiner Edwards on March 28, 1951, at Sacramento, California. At this hearing, applicant requested

amendment of the application to obtain authority to exercise the rights contained in a county franchise granted by Ordinance No. 388 of the County of Sacramento. It also requested amendment of its proposed service area to include an area of 40 acres west of Morse Avenue and north of Hurley Way, and requested permission to file supplemental exhibits following the close of the hearing.

Applicant's system for production and distribution of water will consist of wells, pumps, pressure tanks, mains, services, and fire hydrants. Six wells, with pumps driven by 50 hp electric motors, will provide the supply of water. The wells will be drilled to an approximate depth of 200 feet. The mains will consist of 8-inch, 6-inch, and 4-inch steel pipes located along the rear property lines of the subdivision. Pressure tanks will be provided to hold automatically a uniform pressure throughout the service area. Within the entire area applicant expects eventually to serve 1,330 residential customers and a few commercial customers.

The subdivision land is owned by or under purchase option to the Arden Manor Investment Company. This company is constructing and selling the residences to which applicant will serve water. The investment company already has installed the water facilities to serve Units No. 1 and No. 2 of the subdivision and work has started on the construction of Well No. 3.

In consideration of applicant's agreeing to provide public utility water service to the development, the Arden Manor Investment Company installed and is transferring to applicant the title to the water mains, lines, and pipes in Units No. 1 and No. 2, including Lots Nos. 1-451, and Wells Nos. 1, 2, and 3, in accordance with an agreement marked Exhibit "D" attached to the application as amended by Exhibit No. 3 filed April 24, 1951. The advance is subject to reimbursement at the rate of 30% of the gross revenues from water sales.

Arden Manor Investment Company proposes to construct the water distribution facilities to serve the remaining 879 lots as provided in the agreement attached to the application and marked Exhibit "E." These facilities, including sites for Wells Nos. 4, 5, and 6, will be transferred to the applicant on the basis of reimbursement to Arden Manor Investment Company at the rate of 30% of the gross water sales revenue until actual cost, without interest, is paid.

The estimated cost of the system as set forth in applicant's Exhibit No. 2 may be summarized as follows:

Wells Nos. 1, 2, and 3	\$ 30,360.48
Pipes - Units 1 and 2	<u>65,587.11</u>
Subtotal	95,947.59
Wells Nos. 4, 5, and 6, and remaining pipes	<u>161,375.54</u>
Total	257,323.13

Applicant is requesting that a flat rate of \$2.75 per month be authorized for residential service and a metered rate be established by the Commission for commercial service. Under a \$2.75 rate an annual gross revenue of \$43,890 is anticipated from 1,330 ultimate users. As to future additional revenue from commercial service there is no indication in the record that it will have a bearing on the earning position of the utility.

Upon full development of the system, the estimated annual expenses will be:

Source of Water.....	\$ 700.00
Pumping.....	6,200.00
Maintenance.....	5,600.00
Commercial Expense.....	1,170.00
General and Miscellaneous.....	15,573.00
Depreciation.....	3,031.28
County Franchise Tax.....	877.80
Total	<u>33,152.08</u>

Applicant estimates net revenue of approximately \$10,700 per year, which on a capital base of \$257,000 is equivalent to return at the rate of 4.2% per annum. A return rate of 4.2% is

somewhat lower than customarily granted for this type of a utility operation. Because of the large amount of advanced capital involved in this operation, applicant is not seeking a full rate of return. Under the circumstances the proposed rates do not appear unreasonable. Moreover, during the developmental period it is not probable that applicant will earn a return as high as 4.2% at the proposed rate level after paying operating expenses.

Applicant seeks an order of the Commission authorizing it to issue a total of 100 shares of common no par value stock for \$10 per share to the parties named, and in the amounts set forth, in the application. It reports that it intends to create a line of credit with a bank in Sacramento and to draw down funds, up to an aggregate amount of \$50,000, for the purpose of financing the cost of Wells Nos. 4, 5, and 6, the amounts to be thus borrowed to be represented by 5% notes payable in installments. A copy of the form of the proposed notes is filed in the proceeding as Exhibit "G." In the event applicant finds it necessary to execute a mortgage or other instrument to secure the payment of said notes, it first should file with the Commission a supplemental application for authority to do so, together with a copy of the proposed indenture.

Ordinance No. 388 of the County of Sacramento grants to applicant a right to construct, maintain and operate water distribution and transmission facilities in the public streets in a limited portion of Sacramento County. Said limited portion consists of the three parcels of land described in the application which applicant proposes as its service area, but does not include the extra 40 acres west of Morse Avenue and north of Hurley Way.

At the hearing on the instant application, no opposition to the granting of the certificate was manifested. Applicant claims

that no other similar utility is rendering service in the area. Only one party appeared at the hearing and his principal concern was that the proposed rate of \$2.75 per month was slightly higher than the tract salesman indicated it would be at the time he purchased his home. His understanding was that the rate would be between \$2.25 and \$2.50 per month. He testified that the water service is generally satisfactory.

Applicant claims that water service has been rendered since November 1, 1950, to those homes which have been completed and occupied, but bills for service have not been rendered.

With regard to the proposal to make the billing period quarterly, this is a longer period than is customary, it usually being one or two months. The rates herein authorized will provide for bimonthly billing in advance.

From a review of the record we are of the opinion that applicant's request for a certificate of public convenience and necessity should be granted. With regard to the request to enlarge the area to include the adjacent 40-acre tract, our check of the service area of the nearby Ben Ali Water Company reveals that such area is now within the certificated service area of that company. The certificate was granted by Decision No. 40760, Application No. 28602, dated September 30, 1947. Under the circumstances it appears proper to grant a certificate to applicant only for the area requested in the application and as covered by the franchise, exclusive of the extra 40 acres. Applicant is authorized to render water service only in those areas hereinafter specified in the

order that follows. Rates for fire hydrant service should be negotiated with the local fire protection district and submitted for Commission approval prior to rendering the service. The rates authorized are estimated to produce a return of approximately 4%, and any and all refunds of advances from revenues will be limited by the amount in the net for return.

The certificate of public convenience and necessity granted herein is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchise or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that the present or future public convenience and necessity require or will require the construction, operation and maintenance of the water system described in the foregoing opinion and will require the exercise of the right, privilege and franchise granted to Capitol Accomodations, Inc. by Ordinance No. 388 of the Board of Supervisors of Sacramento County.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and the same is hereby granted to Capitol Accomodations, Inc. to operate a public utility water system in Sacramento County in the area set forth in a map marked

Exhibit "C" in this proceeding, exclusive of that certain adjacent 40-acre tract as described in the foregoing opinion, and ~~require~~ ^{To R. 2.2} ~~the~~ exercise ~~by it~~ of the right, privilege and franchise within that portion of Sacramento County granted by Ordinance No. 388 of the Board of Supervisors of Sacramento County dated February 14, 1951.

IT IS HEREBY FURTHER ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission on or after the effective date of this order in conformity with the Commission's General Order No. 96, the schedule of rates shown in Exhibit A attached hereto and ~~make~~ ^{delete} said rates effective for service rendered after the effective date hereof.
2. Applicant, within forty (40) days from the effective date of this order, shall file with this Commission four sets of rules and regulations governing customer regulations, each set of which shall contain a suitable map or sketch drawn to an indicated scale upon a sheet 8½x11 inches in size, delineating thereupon by distinctive markings the boundary of applicant's present service area and the location thereof, with reference to the immediate surrounding territory, provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or portion thereof.
3. Applicant, after the effective date hereof and on or before January 1, 1952, may issue and sell at not less than \$10 per share, 100 shares of its capital stock and use the proceeds for the purposes set forth in the foregoing opinion; and after the effective date hereof and on or before July 1, 1952, may issue promissory notes in an aggregate principal amount not to exceed \$50,000, payable over a period not exceeding five (5) years with interest at the rate of 5% per annum, and use the proceeds for the purposes set forth in the foregoing opinion, it being of the opinion that the money, property or labor to be procured or paid for through the issue of the stock and notes referred to herein is reasonably required for the purposes specified and that such services are not in whole or in part reasonably chargeable to operating expenses or to income.
4. Applicant shall file with the Commission, on or before August 1, 1952, a statement showing the number of shares of stock and the notes issued under the authority herein granted, the names of the persons

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Schedule No. 1

DOMESTIC FLAT RATE WATER SERVICE

APPLICABILITY

Applicable to all unmeasured water service rendered to domestic or residential consumers.

TERRITORY

Within Arden Manor Subdivision, being a part of Rancho Del Paso, in Sacramento County.

RATES

	Per Service
	<u>Per Month</u>
For each single-family residence, and lot.....	\$2.75

SPECIAL CONDITIONS

1. Bills for water service under this schedule will be rendered bimonthly and are payable in advance.
2. Service under this schedule is available only to single-family residences located on a single lot of the subdivision. All other water service will be rendered under Schedule No. 2, General Metered Water Service.

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Schedule No. 2

GENERAL METERED WATER SERVICEAPPLICABILITY

Applicable to all water service rendered to other than single-family residential consumers.

TERITORY

Within Arden Manor Subdivision, being a part of Rancho Del Paso, in Sacramento County.

RATES

Quantity Rates:

Per Meter
Per Month

First	500 cubic feet, or less.....	\$2.00
Next	1,500 cubic feet, per 100 cubic feet....	.25
Next	3,500 cubic feet, per 100 cubic feet....	.20
Over	5,000 cubic feet, per 100 cubic feet....	.15

Minimum Charge:

For	5/8-inch meter.....	\$2.00
For	3/4-inch meter.....	2.75
For	1-inch meter.....	4.25
For	1 1/2-inch meter.....	7.50
For	2-inch meter.....	12.50
For	3-inch meter.....	20.00
For	4-inch meter.....	30.00

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

SPECIAL CONDITIONS

1. At the option of the utility, meters may be read and bills rendered bimonthly for water service rendered under this schedule.

to whom said shares and notes were issued and the use to which the proceeds from the sale of stock and notes have been put.

5. Applicant shall notify this Commission in writing of the completion of the system for which this certificate is granted, within thirty (30) days thereafter.

The authority herein granted to issue notes will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$50. In other respects, this order will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 22nd day of May, 1951.

R. T. Dwyer
Justus F. Casper
Harold Hills
John L. [illegible]

Commissioners.

