

**ORIGINAL**Decision No. 69263

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 FRUITRIDGE VISTA WATER COMPANY, a )  
 corporation, for (1) an Order )  
 Authorizing the Issuance of Stock )  
 to its Incorporators; (2) for a )  
 Certificate of Public Convenience )  
 and Necessity to Operate a Water )  
 System for the Furnishing of Water )  
 to the Public in the Area herein- )  
 after described; (3) for an Order )  
 Approving Issuance of Promissory )  
 Note for Acquisition of System; and )  
 (4) for an Order Approving Rates of )  
 Service. )

Application No. 33375  
 (As Amended)

William A. Sitton and Carroll A. Cook,  
 for applicant;  
John F. Donovan and George F. Tinkler,  
 for the Commission staff.

O P I N I O NApplication

Applicant Fruitridge Vista Water Company, a corporation, filed its application on May 2, 1952. By this application, as amended prior to hearing, applicant sought (1) a certificate of public convenience and necessity to operate a public utility water system in the proposed service area constituting the various subdivisions known as Fruitridge Vista Units Nos. 1 to 6, inclusive, and Sandra Heights, and certain territory immediately contiguous thereto, all located in Sacramento County adjacent to the southerly city limits of the City of Sacramento, (2) authority to issue a promissory note in exchange for the water system constructed and installed by Artz and Cook, a corporation, (3) authority to enter into a proposed contract with Messrs. Trainor, Sherman, and Pierce providing for the transfer of the water system

in Sandra Heights to applicant pursuant to the usual subdivision rule, (4) authority to issue common stock for \$8,000 cash to be used as working capital and for the reasonable expansion of the water system, (5) authority to establish and charge the rates set forth in the application, and (6) a certificate of public convenience and necessity to exercise a franchise granted by the County of Sacramento.

#### Public Hearing

A public hearing in this proceeding was held before Commissioner Mitchell and Examiner Cline at Sacramento on January 9, 1953. At the hearing the Commission staff suggested the advisability of applicant's issuing common stock instead of a promissory note to Artz and Cook, a corporation, in exchange for its water system and applicant was given fifteen days to consider this suggestion. By letter to the Commission dated January 19, 1953, applicant advised it is willing to issue and Artz and Cook is willing to accept common stock in an amount equal to the actual historical cost of the system less depreciation, and including materials and supplies, in consideration of the transfer of the water system. The Commission will consider the application as amended accordingly.

#### Description of System

The proposed service area comprising approximately 180 acres is delineated on Chart 1-B of Exhibit No. 3 introduced into evidence.

The Fruitridge Vista water system was constructed in 1949 and 1950 in Units Nos. 1 to 4, inclusive, by Artz and Cook, a corporation, in connection with its real estate business of developing residential subdivisions. The Sandra Heights water

system is under construction by Walter Trainor and others in connection with their business of developing residential subdivisions. These two water systems are contiguous and it is proposed to interconnect them and operate them as one system.

The Fruitridge Vista water system consists of Wells Nos. 1, 2, and 3, together with motors, pumps, and pressure tanks. Water is pumped directly into the pressure tanks and thence into the distribution mains. The distribution system consists of 19,310 feet of mains varying from 8 inches to 1-1/2 inches in diameter. There are 22 fire hydrants. Approximately 393 consumers are presently being served, and approximately 447 consumers will be served by this system when it is fully developed.

Applicant proposes to acquire the Fruitridge Vista water system by the issuance of common stock to Artz and Cook in an amount equal to the actual historical cost of the system less depreciation, and including materials and supplies. The evidence shows this amount as of January 1, 1953, to be \$68,923.18.

The Sandra Heights water system consists of Well No. 4, together with its pump, motor, and pressure tank. Water from this well also will be pumped directly into the pressure tank and thence into the 11,415 feet of distribution mains varying from 8 inches to 1-1/2 inches in diameter. There are 13 fire hydrants installed. At the present time 222 consumers are being served by the system, and when the subdivision is fully developed approximately 253 consumers will be served.

Applicant proposes to acquire the Sandra Heights water system from its present owners pursuant to the proposed agreement attached to the application on file herein as Exhibit No. 4 which provides for payment to such present owners, for a period not exceeding 10 years, of an amount equal to 35 per cent of the gross revenues received from consumers of the Sandra Heights water system;

provided, however, that the total payments thus made shall not exceed the actual reasonable historical cost of the Sandra Heights water system. The cost of the Sandra Heights water system was estimated by the Commission staff engineer to be \$32,656 as of September 16, 1952.

When the unsubdivided area is developed, an estimated 15,475 feet of additional mains will be required to serve approximately 350 additional consumers. Applicant estimates that an additional 9,000 feet of mains will be required to be installed during 1953.

To finance the proposed expansion of facilities and to provide additional working capital, applicant is seeking authority to issue 80 shares of its common stock, having a par value of \$100 per share, for \$8,000 cash as follows:

| <u>Name</u>     | <u>No. Shares</u> | <u>Par Value</u> |
|-----------------|-------------------|------------------|
| Carroll A. Cook | 40                | \$4,000          |
| Carroll B. Cook | 10                | 1,000            |
| George L. Cook  | 10                | 1,000            |
| William A. Cook | 10                | 1,000            |
| Robert C. Cook  | 10                | 1,000            |

No public utility water company other than the owners of the present systems described herein and applicant is serving or prepared to serve the proposed service area described herein.

County of Sacramento Ordinance No. 401 grants applicant a franchise to lay and maintain a system of water pipes and appurtenances in the proposed service area. Applicant seeks a certificate of public convenience and necessity to exercise this franchise.

#### Service

The physical system as designed and constructed is considered adequate for the proposed service area and the anticipated number of consumers.

Consumer witnesses, however, complained respecting inadequate water pressure and interruptions in service without receipt of prior notice. On many occasions no representative of the water company to whom notice of service deficiencies might be given could be located by the complaining consumers. Consumer witnesses also objected to the increase in the flat water rates from \$2.00 to \$2.50 per service per month which had been made without prior notice and without authorization of this Commission.

Applicant's witness McNie admitted that the water pressure had varied from 24 to 42 pounds per square inch but stated that the pressure could be built up to 38 to 40 pounds per square inch, which the staff engineer had stated was within the proper operating range. Applicant is hereby placed on notice that the pressure at consumers' service connections at all times should be maintained at a working pressure of between 35 and 50 pounds per square inch.

Witness Frick, who is the contractor employed by Artz and Cook to install and maintain the water system, testified that practically all the interruptions in service have been the result of construction work in the area. When possible he has sent his men around to the homes to notify the occupants that water service was to be cut off, but on many occasions the men obtained no response from residents. Additional shutoff valves have been installed during the past year so that now smaller portions of the system should be affected when repairs are made. In view of the experience with respect to personally notifying consumers of pending interruptions in service, applicant perhaps would have more satisfactory results if notices were sent by mail or left on the front door knobs of homes when interruptions are planned.

Applicant is now fully aware of the procedure to be followed before increasing its rates. No rates may hereafter be increased without the authorization of this Commission.

Witness Cook stated that at any time after the closing of the office of Artz and Cook consumer complaints may be registered with Mr. Louis G. Frick. Applicant will be directed to give written notice to all its consumers setting forth the names, addresses, and telephone numbers of persons who have authority to receive and act on service complaint matters.

#### Rates

The rates now in effect in the area consist of a flat rate of \$2.50 per service per month. It is proposed to establish flat rates as follows:

|                     | <u>Per Service<br/>Per Month</u> |
|---------------------|----------------------------------|
| 3/4-inch connection | \$2.50                           |
| 1-inch connection   | 2.75                             |
| Fire Hydrant        | 1.50                             |

Applicant has also requested authority to establish alternative schedules of metered rates, one to apply during the summer months and the other during the winter months.

The estimates of the Commission staff engineer set forth in Exhibit No. 3 show an operating loss for the present operation at the proposed rates. Assuming a full year's operation with 615 consumers served, the staff engineer estimates operating revenues of \$18,450 and expenses of \$14,721, leaving net revenues of \$3,729. When the tracts are fully developed and serving an estimated 1,050 consumers, the staff engineer estimates operating revenues of \$31,500 and expenses of \$25,070, leaving net revenues of \$6,430, which results in a rate of return of 6.89 per cent on a depreciated rate base of \$93,390. We hereby adopt said rate base of \$93,390 and find the rate of return of 6.89 per cent is reasonable. The rates proposed by applicant are reasonable and should be authorized.

Applicant is hereby placed on notice that it is required to maintain records of operating revenues and expenses and expenditures for plant as prescribed by the Commission.

Financial Ability:

The record shows that upon the issuance of the securities which will be authorized herein applicant will have the requisite financial ability to continue the development of the public utility water system as proposed.

Conclusions

The Commission has considered the requests of applicant for certificates of public convenience and necessity to operate a public utility water system and to exercise the franchise granted by the County of Sacramento and is of the opinion that they should be granted. The rates for water service proposed by applicant will be authorized.

Applicant will be authorized to acquire from Artz and Cook, a corporation, its water system at historical cost less depreciation, and including materials and supplies, in consideration of the issuance to Artz and Cook of applicant's common stock having total par value in the amount of such purchase price or \$69,000, whichever is the lesser, and cash in the amount such purchase price exceeds \$69,000. Applicant will also be authorized to issue 80 shares of its common stock, as hereinabove requested, for \$6,000 cash to be used as working capital, for the reasonable expansion of the water system, and for the balance, if any, of the purchase price to be paid Artz and Cook for its water system.

Applicant will be authorized to acquire the Sandra Heights water system from its owners pursuant to the provisions of the agreement attached to the application on file herein, provided that the amounts to be paid pursuant to such agreement shall not exceed the sum of \$35,000 without further authorization from this Commission.

Applicant shall be required to give written notice to all its consumers of the names, addresses, and telephone numbers of persons who have authority from applicant to receive and act on service complaint matters.

The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be acquired.

The certificates issued herein are subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of these certificates of public convenience and necessity or the right to own, operate or enjoy such certificates of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificates of public convenience and necessity or right.

O R D E R

The above-entitled matter 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 public convenience and necessity require and will require the acquisition and operation, as a public utility, by applicant of the water systems now owned and operated by Artz and Cook, a corporation, and by Water E. Trainor, Jr., Bonnie Mae Trainor, L. E. Sherman, Ethel Sherman, Walter G. Pierce, and Virginia L. Pierce, in Sacramento County, in the areas known as Fruitridge Vista Units Nos. 1 to 6, inclusive, and Sandra Heights, and certain territory immediately contiguous thereto, as set forth on Chart 1-B of Exhibit No. 3 introduced in evidence herein; and that public convenience and necessity require and will require applicant to exercise the rights and privileges granted by the County of Sacramento by Ordinance No. 401 adopted August 22, 1951;



IT IS FURTHER FOUND AS A FACT that the money, property, or labor to be procured or paid for through the issuance of the shares of stock for the Fruitridge Vista water system and pursuant to the agreement between applicant and the owners of the Sandra Heights water system, herein authorized, is reasonably required by applicant for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

A. IT IS ORDERED that a certificate of public convenience and necessity be and it is hereby granted Fruitridge Vista Water Company, a corporation, to acquire and operate the public utility water systems for the distribution and sale of water in the territory hereinabove described.

B. IT IS FURTHER ORDERED that a certificate of public convenience and necessity be and it is hereby granted Fruitridge Vista Water Company, a corporation, to exercise the rights and privileges granted by the County of Sacramento by Ordinance No. 401 adopted August 22, 1951, a copy of which is attached to the application, as amended, on file herein.

C. IT IS HEREBY FURTHER ORDERED that applicant may, after the effective date hereof and on or before June 30, 1953:

1. Acquire from Artz and Cook, a corporation, its water system at historical cost less depreciation, and including materials and supplies, in consideration of the issuance of applicant's common stock having total par value in the amount of such purchase price or \$69,000, whichever is the lesser, and cash in the amount such purchase price exceeds \$69,000.
2. Issue not exceeding \$69,000 par value of its capital stock, or any part thereof, to Artz and Cook, a corporation, for the purposes hereinabove set forth.

3. Issue not exceeding \$8,000 par value of its capital stock, or any part thereof, at par for cash to the following persons and in the following amounts for the purposes hereinabove set forth:

| <u>Names</u>    | <u>No. Shares</u> | <u>Par Value</u> |
|-----------------|-------------------|------------------|
| Carroll A. Cook | 40                | \$4,000          |
| Carroll B. Cook | 10                | 1,000            |
| George L. Cook  | 10                | 1,000            |
| William A. Cook | 10                | 1,000            |
| Robert C. Cook  | 10                | 1,000            |

4. Acquire the Sandra Heights water system from its owners, Walter E. Trainor, Jr., Bonnie Mae Trainor, L. E. Sherman, Ethel Sherman, Walter G. Pierce, and Virginia L. Pierce, pursuant to the provisions of the agreement between said parties attached to the application on file herein, provided that the amounts to be paid pursuant to such agreement shall not exceed the sum of \$35,000 without further authorization from this Commission.

D. IT IS HEREBY FURTHER ORDERED that applicant shall:

1. Upon the acquisition of the properties as herein authorized and upon the issuance of the common stock herein authorized, file with the Commission a copy of each journal entry used to record such transactions.
2. File with the Commission a report, or reports, as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.
3. File with this Commission, within thirty days after the effective date of this order, in conformance with the provisions of General Order No. 96, four copies of the schedule of rates attached hereto as Exhibit A, together with four copies of rules and regulations and tariff service area map and, on not less than five days' notice to the public and this Commission, make said rates, rules, and regulations effective for all water services rendered on or after the date of the acquisition of the water system, or systems, as herein authorized.
4. File with this Commission, within thirty days after the systems are acquired, four copies of a comprehensive map, drawn to an indicated scale not smaller than 100 feet to the inch,

delineating by appropriate markings the tracts of land and the territories served and the location of the properties of applicant.

- 5. Within thirty days after the system, or systems, are acquired pursuant to the authorizations herein contained, mail written notice to each of its consumers setting forth the names, addresses, and telephone numbers of persons having authority from applicant to receive and act on service complaint matters. A copy of such written notice, together with an affidavit of mailing, shall be filed with the Secretary of this Commission within ten days after the date of the mailing of such notices.

The authorizations herein granted except as otherwise specified herein will lapse if not exercised on or before June 30, 1953.

This order shall become effective when applicant has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$35.

Dated at San Francisco, California, this 24<sup>th</sup> day of March, 1953.

A. Z. [Signature]  
President.

Justin F. [Signature]

Harold P. [Signature]

[Signature]  
Commissioners.

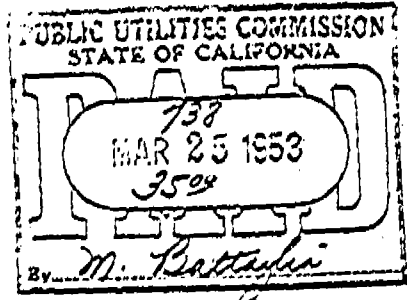


EXHIBIT A  
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Schedule No. 1

FLAT RATE WATER SERVICE

APPLICABILITY

Applicable to all water service furnished on a flat rate basis.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units and Sandra Heights and immediately adjoining territory, all located in Sacramento County adjacent to the southerly city limits of the City of Sacramento.

RATES

Per Service  
Per Month

For 3/4-inch connection to a single dwelling or other single unit establishment located on one lot together with the premises on which such unit is located ..... \$2.50

For 1-inch connection to a single dwelling or other single unit establishment located on one lot together with the premises on which such unit is located ..... 2.75

SPECIAL CONDITIONS

1. Flat rate charges are payable monthly in advance.
2. All private service not covered by the above classifications will be furnished only on a metered basis.
3. Meters may be installed at the option of the utility or the customer for above classifications, in which event service thereafter will be rendered only on the basis of Schedule No. 2, General Metered Water Service.

EXHIBIT A  
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## Schedule No. 2

GENERAL METERED WATER SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units and Sandra Heights and immediately adjoining territory, all located in Sacramento County adjacent to the southerly city limits of the City of Sacramento.

RATES

For Months of October through April, Inclusive:

|  | Per Meter<br>Per Month |
|--|------------------------|
| Quantity Rates:                        |                        |
| First 600 cu.ft. or less .....         | \$1.25                 |
| Next 4,400 cu.ft., per 100 cu.ft. .... | .10                    |
| Over 5,000 cu.ft., per 100 cu.ft. .... | .05                    |
| Minimum Charge:                        |                        |
| For 5/8 x 3/4-inch meter .....         | 1.25                   |
| For 3/4-inch meter .....               | 1.60                   |
| For 1-inch meter .....                 | 2.30                   |
| For 1-1/2-inch meter .....             | 4.05                   |
| For 2-inch meter .....                 | 6.10                   |

For Months of May through September, Inclusive:

|  | Per Meter<br>Per Month |
|--|------------------------|
| Quantity Rates:                        |                        |
| First 1,000 cu.ft. or less .....       | \$1.25                 |
| Next 4,000 cu.ft., per 100 cu.ft. .... | .10                    |
| Over 5,000 cu.ft., per 100 cu.ft. .... | .05                    |
| Minimum Charges:                       |                        |
| For 5/8 x 3/4-inch meter .....         | 1.25                   |
| For 3/4-inch meter .....               | 1.80                   |
| For 1-inch meter .....                 | 2.90                   |
| For 1-1/2-inch meter .....             | 5.65                   |
| For 2-inch meter .....                 | 7.40                   |

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

EXHIBIT A  
Page 3 of 3

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to public fire hydrant service throughout the service area.

TERRITORY

In the unincorporated areas known as Fruitridge Vista Units and Sandra Heights and immediately adjoining territory, all located in Sacramento County adjacent to the southerly city limits of the City of Sacramento.

RATES

|                   | <u>Per Month</u> |
|-------------------|------------------|
| Per Hydrant ..... | \$1.50           |