

ORIGINALDecision No. 52576

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application for Certificate of Public Convenience and Necessity by R. W. Land Co., a California corporation, Successor to Workmon Homes, Inc.)))))	Application No. 37266 (Second Amended)
---	-----------------------	---

Workmon Homes, Inc., by Richard E. Macey.
John F. Donovan and W. B. Stradley, for
the Commission staff.

O P I N I O NApplicant's Request

The original application herein was filed on September 2, 1955, by Workmon Homes, Inc., and the first amendment to the application was filed on September 21, 1955. R. W. Land Co., a California corporation, as successor to Workmon Homes, Inc., on December 22, 1955, filed the second amendment to the above-numbered application seeking a certificate of public convenience and necessity to operate and manage a public utility water system in San Ramon Terrace, a new subdivision located in San Joaquin County adjacent to the City of Stockton. A map of the ultimate area to be served is set forth in Exhibit "C" attached to the second amendment to the application.

Public Hearing

After due notice, public hearing on the original application and first amendment to the application was held on October 13, 1955, before Examiner M. W. Edwards at Stockton, California. At the hearing, testimony was presented by two witnesses for applicant. The Commission's staff, represented by an accountant and an engineer, took an active part in the hearing and cross-examined the two witnesses.

Of primary concern to the staff was the fact that the application as originally drawn would place under the jurisdiction of this Commission a corporation the main business of which was the construction of homes and development of land rather than the operation of a public utility water system. Applicant considered this matter, requested and was granted time in order to file an amendment to its application after setting up a separate corporation, the R. W. Land Co., to manage and operate the water system.

Description of System

Applicant's plan is to install a water system consisting of two wells, two pressure tanks and asbestos-cement water pipe mains to serve the first unit of the subdivision consisting of 236 lots for residences. Eventually 1,000 lots will be served. The plan is to add three more wells to complete the water production system. The wells are to be 300 feet deep and 12 inches in diameter. The pumps will be driven by 30-hp motors and will have ratings of 600 gallons of water per minute. The pressure tanks will be of 5,000-gallon capacity each. Plans and specifications for installation of the water system to serve the first 236 lots are set forth in Exhibits "A" and "B" attached to the original application.

Financing of the System

Applicant represents that all costs in connection with the construction of the water system shown in the original application will be paid and discharged by Workmon-Rhodes Bldg. Co., a California corporation, which is actually constructing the system and that when completed the facilities will be transferred to the applicant free and clear of any liens, encumbrances, debts or liabilities, in exchange for an amount of capital stock of

R. W. Land Co. equivalent to the cost of the water system. The authorized capital stock of the R. W. Land Co. is 1,000 shares of \$100 par value each. Applicant alleged that the total cost of the facilities to be installed at this time is \$67,610.97; however, according to the testimony of applicant's engineer, the estimated cost of the water system is \$71,610.97 for the first 236 lots which may be segregated as follows:

Water Lines	\$46,797.17
Pumps and Tanks	14,000.00
Wells	6,813.80
Engineering	4,000.00
Total	<u>\$71,610.97</u>

The difference in these two figures is the \$4,000 estimated engineering expense.

Applicant, in the second amendment to the application, estimated that the total cost of the ultimate water system is \$265,600 and that it plans to apply the proposed \$3.50 rate to the entire potential service area as long as the additional area to be served pays for the cost of all line extensions and installations. Such statement is not in accord with the testimony which indicates that capital stock will be issued to cover the cost of the water system for the entire 1,000 lots. Applicant now apparently desires to invoke the extension rule for extending the system beyond the original 236 lots. Under such basis the subdividers' advances are subject to refunds at the rate of 22 per cent of the annual revenue or on a proportional basis per service connection. This method of financing is subject to the disadvantage that roughly three quarters of the future revenue would be subject to 22 per cent refunds and that the total amount to be refunded might be greater than the return earned and depreciation accrued on the water system for the entire 1,000 lots.

Proposed Rates for Service

Applicant proposes a flat rate of \$3.50 per month, an alternate meter rate starting at \$2.00 for the first 500 cubic feet or less, and a charge of \$1.00 per month per fire hydrant. Applicant's witness testified that it expects to sell water on a flat rate basis, not on a metered basis, and that the estimated monthly maintenance and operating expense is \$200.00 and for power is \$150.00 per month. No estimate as to the other operating expenses, such as depreciation and ad valorem tax, was stated.

Miscellaneous Items

Applicant states that there are no other public utility water systems available to supply water to the area and that the proposed system will not be competing with any existing water system. Applicant's witness stated that the City of Stockton has approved the plans, that no franchise is required from San Joaquin County to install the water system and that a health department permit will have to be secured before the water system is placed in regular service.

Conclusions and Findings

After considering the original application and amendments thereto, and the testimony, it is concluded that the proposed water system is needed and is in the public interest. Applicant's proposed method of financing the system for the first 236 lots appears to be reasonable and authority will be granted to issue 716 shares of capital stock. Applicant's indicated desire to extend service to the remainder of the 1,000 lot tract on the basis of the extension rule does not appear sound because the refunds may be so great each year that the applicant would have to procure money from outside sources to help defray the ordinary operation and maintenance expenses. In order to pay \$265,600 for the whole

system through issue of its capital stock applicant will have to increase its authorized capital stock. It will have to obtain permission in the future from this Commission to issue more stock than 716 shares herein authorized. Under this condition the certificate of public convenience and necessity issued herein will be limited to the first unit of the subdivision. Application to extend the certificate to cover the full 1,000 lot tract can be made at the time that authority to issue additional stock is sought.

No opposition to the proposed water system or proposed level of rates was manifested at the hearing. The rates requested in general appear reasonable and will be authorized, except that the minimum charge under the meter rate should be set at \$3.00 to make it consistent with a \$3.50 flat rate.

The Commission finds that public convenience and necessity require the operation and maintenance of a public utility water system by R. W. Land Co., a California corporation, in the first unit of a new subdivision known as San Ramon Terrace in San Joaquin County as delineated in Exhibit A attached to the original application, and that the money, property or labor to be procured or paid for by the issuance of 716 shares of stock herein authorized is reasonably required by the R. W. Land Co. for the purposes herein stated, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

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

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate 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 certificate of public convenience and necessity or right.

O R D E R

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

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to R. W. Land Co. to operate and maintain a public utility water system for the distribution and sale of water in the first unit of a new subdivision known as San Ramon Terrace in San Joaquin County as delineated in Exhibit A attached to the original application; provided, however, that the certificate of public convenience and necessity herein granted to the R. W. Land Co. shall be subject to the condition that the company shall not make extensions into other territory, whether contiguous to any of the certificated area herein described or not, without authority first having been obtained from this Commission.

IT IS HEREBY FURTHER ORDERED as follows:

1. Applicant is authorized to file after the effective date of this order, the rates set forth in Appendix A attached to this order, to be effective on or before the date service is first rendered to the public under the rates and rules authorized herein, together with rules and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
2. Applicant shall file, within thirty days after the system is placed in operation under the rates and rules authorized herein, four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant; all clearly designated to indicate the location of facilities installed as of the date of the map and those proposed to be installed at a later date to complete the water system.

3. Applicant shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.
4. Applicant shall base the accruals to depreciation upon spreading the original cost of the plant, less estimated net salvage and depreciation reserves, over the estimated remaining life of the property; applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.
5. If the authorization herein granted is exercised, applicant shall procure and dedicate to water utility purposes the lots or areas on which the wells are located and shall file, within twenty days after the system is placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such procurement and dedication.
6. Applicant, after the effective date hereof and on or before December 31, 1956, may issue and sell at not less than \$100.00 per share, 716 shares of its capital stock and use the proceeds for the purposes set forth in the foregoing opinion.
7. Applicant shall file with the Commission on or before January 31, 1957 a statement showing the number of shares of stock sold under the authority herein granted, the names of the persons to whom said shares were sold and the number sold to each, and the use to which the proceeds of the sale of such stock have been put.
8. The authorization herein granted will expire if not exercised within one year from the date hereof.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 7th day of September, 1956.

[Signature]

 President
[Signature]

[Signature]

 Commissioners

-7- Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated subdivision known as San Bruno Terrace, Tract No. 378, situated east of and adjacent to West Sacramento Road approximately 5-1/2 miles north of Stockton, San Joaquin County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 1,000 cu.ft. or less	\$3.00
Next 2,000 cu.ft., per 100 cu.ft.....	.20
Next 7,000 cu.ft., per 100 cu.ft.....	.16
Over 10,000 cu.ft., per 100 cu.ft.....	.12
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.00
For 1-inch meter	6.00
For 1-1/2-inch meter	11.00
For 2-inch meter	16.00

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

Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated subdivision known as San Ramon Terrace, Tract No. 378, situated east of and adjacent to West Sacramento Road approximately 5-1/2 miles north of Stockton, San Joaquin County.

RATES

	<u>Per Service Connection per Month</u>
For each single family residence, including premises not exceeding 10,000 sq. ft. in area	\$3.50
a. For each 100 sq. ft. of area in excess of 10,000 sq. ft.....	.02

SPECIAL CONDITIONS

1. All service not covered by the above classification will be furnished only on a metered basis.

2. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to public fire hydrant service furnished to duly organized or incorporated fire districts, or other political subdivisions of the State.

TERRITORY

The unincorporated subdivision known as San Ramon Terrace, Tract No. 378, situated east of and adjacent to West Sacramento Road approximately 5-1/2 miles north of Stockton, San Joaquin County.

RATE

	<u>Per Month</u>
For each hydrant	\$1.00

SPECIAL CONDITIONS

1. The cost of installation and maintenance of hydrants will be borne by the utility.
2. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.