

ORIGINALDecision No. 53418

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Natomas Water Company, a corporation,)
 for a certificate of public convenience)
 and necessity authorizing applicant to)
 furnish public utility water service)
 in certain portions of Sacramento County,)
 California.)

Application No. 37462
(Amended)

Downey, Brand, Seymour & Rohwer by Harry B. Seymour and Vaughan, Paul and Lyons by Reginald L. Vaughan for applicant.
 Cordova Water Company by Robert E. Hatch; Hickes & Hurst by W. P. Dwyer; interested parties.
 Orrick, Dahlquist, Herrington & Sutcliffe by Warren A. Palmer for Citizens Suburban Company, protestant.
George F. Tinkler for the Commission staff.

O P I N I O NApplicant's Request

Natomas Water Company ^{1/}, a California corporation, on November 4, 1955, filed the above-entitled application, and on December 1, 1955, and May 17, 1956, filed amendments thereto, requesting a certificate of public convenience and necessity to operate a public utility water system in an unincorporated area of approximately 2320 acres in Sacramento County, located adjacent to the junction of Colma Road, U. S. Highway 50 and the American River. The area is located some 13 miles east of the center of the City of Sacramento and is shown on Exhibit "C-1" attached to the second amendment to application.

^{1/} Sometimes herein called Natomas.

Citizens Suburban Company^{2/} by Application No. 37236, filed August 22, 1956, sought a certificate of public convenience and necessity to serve a portion of this proposed area known as Cordova Park Subdivision, Cordova Gardens Subdivision and Cordova Meadows Subdivision, but by agreement with the applicant, dated March 15, 1956, Citizens has agreed to withdraw its request and has agreed not to protest the granting of this application to Natomas.

Public Hearing

After due notice, a day of public hearing was held on this application, on a consolidated basis with Application No. 37236, before Examiner M. W. Edwards on December 5, 1955, at Sacramento, California. This was the second day of hearing on Application No. 37236, the first day having been September 22, 1955. The matter was submitted subject to filing of briefs; however, prior to the time that the briefs were due the parties indicated an agreement might be reached, consequently, an extension of time was given. On April 20, 1956, Natomas and Citizens filed a joint petition to set aside submission and reopen the proceedings for the purpose of filing amendments to the applications.

On May 22, 1956, the Commission issued a decision setting aside the submission herein, reopened the matter for the purpose of filing amendments to the applications to be considered by the Commission in such manner as appeared appropriate or for such additional hearing as may be necessary. Applicant Natomas' second amendment had been filed on May 17, 1956, and the record appears to be in such condition that the Commission now can proceed to issue a decision herein without the need of further hearing. The matter is considered as being submitted on the record as made and the filing of briefs is no longer required; however, by this action the

^{2/} Sometimes herein called Citizens.

Commission does not approve or consider as binding on its future action the settlement agreement by and between Citizens Suburban Company and applicant dated March 15, 1956. Said agreement has no validity unless authorized by this Commission.

Cordova Park Subdivision

Applicant states that portions of the area proposed to be served and for which a certificate is sought are being subdivided by Heckes & Hurst, a partnership, which is engaged in developing a subdivision commonly known as Cordova Park Subdivision. Heckes & Hurst, the subdividers, are in the course of constructing a water system in the subdivision, and applicant, by letter dated October 24, 1955, has offered to purchase the water system. A copy of this letter is attached to the application as Exhibit "D". Applicant also states that a sketch of the water distribution system required to serve the first unit of the Cordova Park Subdivision is attached to Citizens' Application No. 37236 as Exhibit "E" which, by reference, applicant makes a part of its application.

It is proposed that the initial installation will serve approximately 68 residential lots. The source of water supply is a 12-inch cased well which has been drilled to a depth of 300 feet. The well has a tested capacity of 1,600 gpm. It is equipped with a 50-hp electric motor directly connected to a deep well turbine pump with a capacity of 750 gpm which discharges through a 5,000-gallon welded steel pressure tank designed to maintain the system pressure between 35 and 55 psi. Initially, the distribution system will consist of approximately 900 feet of 8-inch and 3,600 feet of 6-inch pipe. All customers will be served from the distribution mains through 3/4-inch service connections. Initially seven fire hydrants will be installed.

Financing of the System

Applicant estimates that the total cost to it of the water system required to serve the first unit of the Cordova Park Subdivision will be \$30,000. Applicant states it has adequate funds for the acquisition of the system and, if necessary, represents that it can borrow additional funds from its parent, the Natomas Company.

The estimated cost of the system to serve the first unit of the Cordova Park Subdivision follows:

Franchise and Acquisition Costs	\$ 1,000
Land and Buildings	2,000
Well and Pump	9,000
Distribution Mains	14,000
Service Connections	1,500
Fire Hydrant Connections	<u>700</u>
Total	\$28,200

Applicant's Position

Applicant represents that it holds a prescriptive right by virtue of operations on and prior to March 23, 1912, and continuously since that date, to render public utility water service throughout the proposed area, described in Exhibit "B-1" attached to the second amendment to application, among other portions of Sacramento and El Dorado Counties. In addition, applicant acquired ^{3/} the water system and properties formerly owned by Cordova Water Company and used to furnish water service to an area contiguous to the proposed area. Applicant makes this application against the possibility that the Commission may determine that it does not hold such prescriptive right to serve the proposed area. At this time the Commission is not passing upon applicant's claimed prescriptive right in this area, but will proceed on the basis of the application before it.

Applicant has been requested by Sierra Builders, Inc. to take over facilities being installed by it to serve a subdivision of

^{3/} Pursuant to Application No. 37937, Decision No. 52286, dated November 29, 1955.

approximately 86 acres of land lying north and east of Mills, Sacramento County, known as Cordova Gardens Subdivision. Also, it has been requested by Taylor and Mullen to take over the facilities being installed by them to serve a subdivision of 72 acres of land lying north of Highway 50 at Mills, Sacramento County, known as Cordova Meadows Subdivision. Both of the above-mentioned subdivisions are contiguous to Cordova Park Subdivision discussed previously.

Proposed Rates for Service

Applicant initially proposed a monthly flat rate of \$3.25 for each residential unit of 8,500 square feet or less. Later, while attempting to meet the rates proposed by Citizens, applicant reduced this proposed rate to \$3.00. For lots of 8,501 to 10,000 square feet a rate of \$3.50 is proposed, for lots of 10,001 to 12,000 square feet a rate of \$4.00 is proposed and for lots over 12,000 square feet an additional charge of 30 cents per 1,000 square feet is proposed. Alternate meter rates are proposed. Fire hydrant rates varying from \$1.50 to \$3.50 per month depending on type and ownership of fire hydrants are proposed.

The level of rates which applicant now charges on the former Cordova Water Company system, adjacent to this area are shown in Appendix A attached hereto.

From the proposed rates an annual revenue of \$2,800 is estimated for the initial subdivision. Expenses are estimated as follows:

Pumping, Operating, Billing	\$ 790
Maintenance	250
Depreciation	700
Taxes, County	700
Taxes, Income	<u>150</u>
Total	\$2,590

On the basis of this estimate a net revenue of \$210.00 per year results. This is less than 1 per cent return on the estimated investment and it is apparent that additional customers will have to be

added to the system, or higher rates set, before applicant will earn a rate of return as high as 6 per cent. The initial pumping equipment is suitable to serve more than 68 customers and until there is more development in the area the true cost to serve each customer is not determinable. Pending such development it would appear reasonable to adopt the rates in effect for the adjacent Cordova system as these rates are very nearly equivalent to the rates requested in the application (and would save applicant the difficulty of having different rates in effect in adjoining areas). The record in this proceeding shows that applicant proposes to connect these systems together. In view of this and the desirability of applying the same rates throughout the integrated system such action appears reasonable, and the order which follows will so provide.

Franchises and Rights

The record shows that Heckes and Hurst, a partnership, subdividers of Cordova Park Subdivision, were granted a franchise to construct, maintain and operate a water system in the area described in Ordinance No. 493 by the Board of Supervisors of the County of Sacramento, and that applicant proposes to acquire and exercise these franchise rights if granted the authority sought.

Findings and Conclusions

After considering all the evidence submitted in this proceeding, it is concluded that the proposed water system is needed and in the public interest.

The Commission finds that public convenience and necessity requires the construction and operation of the public utility water system proposed. The Commission further finds that operation of the combined water system serving Cordova Park, Cordova Gardens and Cordova Meadows Subdivisions by Natomas Water Company, a California corporation, is in the public interest.

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 a consideration for the issuance of such a certificate of public convenience and necessity or right.

O R D E R

The above-entitled application, as amended, having been considered, a public hearing having been held on the original application and the Commission being of the opinion that the application, as amended, should be granted and that further hearing is not necessary; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Natomas Water Company, a California corporation, to construct and operate a public utility water system for the distribution and sale of water in the area described in Exhibit "B-1" attached to the second amendment to the application.

IT IS HEREBY FURTHER ORDERED as follows:

1. Applicant is authorized, after the effective date of this order, to revise such of its presently effective tariff schedules for its water system service, Cordova Tariff Area, Sacramento County, as are necessary to provide for the application of its rates and rules in the area being certificated herein, together with a revised tariff area map to include such newly certificated area, all in accordance with the procedure prescribed by General Order No. 96. Such rates, as illustrated by Appendix A herein, revised tariff sheets and tariff service area map shall become effective upon five days' notice to the Commission and the public after filing of the revised tariffs as

hereinabove provided.

2. Applicant shall file, within sixty days after the system is first 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 properties of the applicant herein being certificated.

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 reserve, 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 easements or permits where pipeline mains are located in lots, other than in streets, and shall file, within thirty days after the system is first placed in operation under the rates and rules authorized herein, one copy of each appropriate document showing such procurement, dedication easement or permit.

6. Applicant may, on or after the effective date hereof and on or before November 30, 1956, purchase and acquire the herein described public utility properties from Heckes and Hurst, a partnership, substantially in accordance with its offer, a copy of which is

attached to the application as Exhibit "D".

7. Applicant be and it is authorized to carry out the terms and conditions of a written agreement, substantially in accordance with that one dated August 15, 1955, between Heckes and Hurst, a partnership, and Citizens Suburban Company under Application No. 37236, and to render the service described therein under the terms, charges and conditions as authorized herein. Within thirty days after such agreement is entered into, applicant shall file with the Commission two certified copies of the agreement as executed, together with a statement of the date on which the agreement is deemed to have become effective.

8. In event that applicant obtains a county franchise covering any of the territory herein being certificated it shall, by supplemental application herein, seek authority to exercise such franchise.

9. The authorization herein granted will expire if not exercised within one year after the date hereof.

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

Dated at San Francisco, California, this 16th day of July, 1956.

John E. Mitchell
 President

Justin F. Calmes

Ralph Lutz

Michael L. ...

R. V. Hardy
 Commissioners

APPENDIX A
Page 1 of 2

Schedule No. CO-1

Cordova Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community known as Rancho Cordova and vicinity located adjacent to U.S. Highway 50 approximately 13 miles east of the City of Sacramento, Sacramento County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 800 cu.ft. or less	\$2.00
Next 1,200 cu.ft., per 100 cu.ft.....	.195
Next 3,000 cu.ft., per 100 cu.ft.....	.17
Next 5,000 cu.ft., per 100 cu.ft.....	.14
Over 10,000 cu.ft., per 100 cu.ft.....	.12
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.00
For 3/4-inch meter	2.50
For 1-inch meter	3.50
For 2-inch meter	12.00
For 3-inch meter	21.00
For 4-inch meter	35.00

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

APPENDIX A
Page 2 of 2

Schedule No. CO-2

Cordova Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated community known as Rancho Cordova and vicinity located adjacent to U.S. Highway 50 approximately 13 miles east of the City of Sacramento, Sacramento County.

RATES

	<u>Per Service Connection per Month</u>
1. For each single family residence of two bedrooms or less on a single subdivision lot	\$3.00
2. In addition, for each bedroom in excess of two50
3. In addition, for each additional residential unit on premises served from the same service connection	1.00

SPECIAL CONDITIONS

1. The above rates apply only to 3/4-inch and 1-inch service connections.

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

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