

ORIGINALDecision No. 53807

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CITIZENS SUBURBAN COMPANY, a)
 California corporation, for a certifi-)
 cate of public convenience and neces-)
 sity authorizing applicant to furnish)
 public utility water service in certain)
 portions of Sacramento County,)
 California, to exercise franchise)
 rights in connection therewith, and to)
 issue and sell its capital stock.)

Application No. 38126

Orrick, Dahlquist, Harrington & Sutcliffe
 by Warren A. Palmer, for applicant;
W. B. Stradley, for the Commission staff.

O P I N I O NApplicant's Request

Citizens Suburban Company, a California corporation, and a subsidiary of Citizens Utilities Company, a Delaware corporation, on June 13, 1956, filed the above-entitled application requesting the Commission to:

1. Grant and issue a certificate of public convenience and necessity to construct, maintain and operate a public utility water system within an area containing approximately 400 acres east of the community of Perkins, Sacramento County, as shown by a map marked Exhibit A and attached to the application and to exercise the rights and privileges under the franchise to be transferred to applicant, and under the franchise applied for from the County of Sacramento if granted prior to the hearing on this application.
2. Approve the water service agreement dated May 23, 1956 with Rosemont Development Co., a copy of which is attached to the application as Exhibit B.
3. Authorize the issuance and sale of 750 shares of common stock at par for cash to Citizens Utilities Company to pay for the system as proposed.
4. Establish the rates set forth in Exhibit D attached to the application pertaining to fluoridated water.

Public Hearing

After due notice a public hearing was held upon this application on July 20, 1956, before Examiner M. W. Edwards in Sacramento. At the hearing applicant presented 10 exhibits through two witnesses in support of its application. The Commission staff, represented by an engineer of the Hydraulic Section cross-examined the witnesses for the purpose of developing facts in the record that would be of aid to the Commission in deciding this matter. The matter was submitted for decision at the close of the day's hearing. No one objected to the service as proposed by the applicant.

Rosemont Subdivision

A portion of the proposed service area, commonly known as Rosemont Subdivision, is being developed by Rosemont Development Co., a limited partnership. Applicant's witness stated that there are now 50 homes either completed or under construction and that there should be 152 homes completed by the end of this year. Eventually there should be some 1,600 or more homes in the area and the subdivider's construction program calls for their completion within 3 years.

Water Service Agreement

The water service agreement recites the fact that the subdivider has constructed and installed a water system to serve Unit No. 1 of the subdivision, that the Rosemont Water Company, a California corporation, incorporated by or at the instance of the subdivider, was granted a franchise by Ordinance No. 500 of the Board of Supervisors of the County of Sacramento to construct, maintain and operate a water system in an area which includes the Rosemont Subdivision, and that the subdivider desires and requests the applicant to furnish water service and to that end is willing to sell the aforesaid franchise and water system to the applicant. The applicant has obligated itself to purchase the water system and the franchise

for the sum of \$50,384.63, and to construct and install all extensions of the water system required to serve further construction in the subdivision. The subdivider is obligated to deposit with the applicant the estimated amount of money to pay the cost of constructing and installing the distribution portion of the extensions. These deposits will be refunded at the rate of 22 per cent of the estimated annual revenue from each customer in accordance with applicant's proposed Rule and Regulation No. 15C-2b.

The water system installed by Rosemont Water Company consists of a well 359 feet deep with a deep-well turbine pump driven by a 50-hp motor. A 5,000-gallon pressure tank is provided to maintain a pressure of approximately 50 pounds per square inch on the system. The distribution mains are of sizes: 8-, 6- and 4-inches.

Financing of System

Applicant proposes to sell 750 shares of its common stock at par value of \$100 per share to its parent organization to cover the following items:

First Unit:

Franchise and Acquisition Costs	\$ 3,238
Land and Buildings	2,826
Wells and Pumps	15,178
Distribution Mains and Taps	28,291
Fire Hydrant Connections	852
Subtotal Unit No. 1	<u>50,385</u>
Engineering by Subdivider	648
Well, Pumping Equipment, Land and Fence for Unit No. 2	16,000
Working Capital, Cash and Contingencies	7,967
Total	<u>75,000</u>

Applicant proposes to sell the stock as and when the money is required and desires a period of 1 year in which to complete the sale. Applicant's request will be granted.

Economics of Proposed System

Applicant's Exhibit No. 4 shows a total estimated investment of \$50,385 to serve the first unit of 152 lots, annual revenue

of \$6,218, operating expenses of \$5,150 and a net revenue of \$1,068, which is equivalent to a rate of return of approximately 2 per cent. When the development reaches 1,600 lots applicant estimates the investment at \$382,297, the annual revenue at \$65,398, the operating expenses at \$49,850 and the annual net revenue at \$15,548 which is equivalent to a rate of return of approximately 4 per cent.

The basic rate proposed by the applicant is \$3.25 per month for each residential unit having a lot area of 8,500 square feet or less; \$3.50 per month for areas from 8,500 to 10,000 square feet, plus 35 cents per 1,000 square feet for areas over 10,000 square feet. Optional meter rates are suggested of \$2.75 for the first 1,000 cubic feet or less, plus 22 cents per 100 cubic feet for the next 4,000 cubic feet, with a terminal rate of 16 cents per 100 cubic feet for usage beyond 5,000 cubic feet per month. The minimum meter charges are proposed to start at \$2.75 for a 5/8 by 3/4-inch meter and graduate upward with size.

Franchises

Applicant is seeking a franchise from the County of Sacramento to cover a large area which includes the area requested in this proceeding. At the time of the hearing, this franchise had not been secured; therefore, applicant stated it will file a supplemental application with the Commission requesting authority to exercise the rights and privileges to be granted to applicant under such franchise.

Applicant desires authority to exercise the rights and privileges granted by Ordinance No. 500 of the Board of Supervisors of Sacramento County to the Manlove Water Company which company was succeeded by the Rosemont Water Company. This franchise encompasses an area smaller than that now being sought from the County of Sacramento by applicant. The Commission denied a certificate to the

Rosemont Water Company on January 23, 1956 by Decision No. 52498, Application No. 37312. Authority will be granted for applicant to exercise this franchise, a copy of which has been submitted for the record as Exhibit No. 3.

Miscellaneous Items

Applicant states that to the best of its knowledge and belief there are no public utilities with which it is likely to compete. With regard to the purity of the water, applicant's witness testified that the requirements of the health department have been satisfied. The subdivider's general office in the tract will represent the applicant in dealing with the customers concerning such items as applications for service, payment of bills and receipt of complaints. Applicant will use personnel now connected with the Citizens Utilities Company of California in North Sacramento to handle the service work. Such personnel will be available on call any time of the day or night.

Findings and Conclusions

Applicant's proposed water agreement includes, in numbered paragraph 3.5, a provision that the utility will not voluntarily make meter rates effective within a specified time. Such provision is inappropriate and will be specifically excluded from the authorization hereinafter granted.

After considering the record and testimony it is the finding and conclusion of the Commission that the present water system and applicant's proposed extension thereof with further development of the subdivision is needed and is in the public interest. In general applicant's proposed method of financing appears reasonable and will be authorized. There was no opposition manifested to applicant's proposal. The proposed rates will be set at levels set forth in Exhibit D attached to the application. The rates as authorized do not include the proposed flat rate for

swimming pools and the rate proposed for additional residential units on the same premises has been reduced. Public fire hydrant rates applicable to all tariff areas of applicant are being authorized in connection with Application No. 37236, the decision for which is being issued concurrently with this decision.

While the earnings from the rates as authorized appear to yield less than a full return during the initial development period, it is expected that they are high enough to cover operating expenses, including depreciation.

The Commission finds that public convenience and necessity require the construction, operation and maintenance of a public utility water system by Citizens Suburban Company in an area of approximately 400 acres east of the community of Perkins, Sacramento County, as shown by a map marked Exhibit A attached to the application and require the exercise of appropriate franchise rights, and that the portion of the existing and proposed system to be paid for by the issuance of 750 shares of stock herein authorized is reasonably required by the Citizens Suburban Company for the purposes herein stated which purposes are not in whole or in part reasonably chargeable to operating expenses or 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 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 cost or annual charges) actually paid to the State or to a political subdivision thereof as the consideration for the issuance of such franchise, certificate of public convenience and necessity or right.

When the applicant has filed a supplemental application herein to which is attached a copy of the franchise issued by the Board of Supervisors of the County of Sacramento to cover the large area requested in this proceeding, the Commission will issue a

certificate of public convenience and necessity authorizing applicant to exercise such franchise upon such terms and conditions as the Commission may designate.

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 ORDERED that a certificate of public convenience and necessity be, and it is, granted to Citizens Suburban Company to construct, operate and maintain a public utility water system for the distribution and sale of water in an unincorporated area of approximately 400 acres east of the community of Perkins, Sacramento County, as shown by a map marked Exhibit A attached to the application, and to exercise the franchise rights and privileges granted by the County of Sacramento under Ordinance No. 500, dated July 20, 1955 to Manlove Water Company only within the approximate 400-acre area. The certificate of public convenience and necessity herein granted to Citizens Suburban Company shall be subject to the condition that the company shall not make extensions into other territory, whether or not contiguous to any of the certificated area described herein, 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, together with a tariff service area map acceptable to this Commission, all in accordance with the requirements of General Order No. 96. Such rates and tariff service area map shall become effective on five days' notice to the Commission and to the public after

filing as hereinabove provided, and together with rules authorized to be filed by Decision No. ⁵³⁸⁰⁸ in Application No. 37236 being issued concurrently herewith, shall be in effect before service is first rendered to the public under the rates and rules authorized for the area certificated herein.

2. Applicant shall file, within thirty 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 and to be served by future contemplated extensions; the principal water production, storage and distribution facilities and location of the various water system properties of 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 is authorized to carry out the terms and conditions of the agreement with Rosemont Development Co. substantially in accordance with that shown by Exhibit B attached to the application, except that the portion of numbered paragraph 3.5, under which the utility would be precluded from voluntarily making meter rates effective within the period designated, is specifically excluded from the authority herein granted.

7. Applicant, after the effective date hereof and on or before December 31, 1957, may issue at par value of \$100 per share, 750 shares of its capital stock and sell the same to Citizens Utilities Company to pay for the portions of the water system being certificated herein which it has obligated itself to construct or pay for.

8. Applicant shall file a report, or reports, of the issued said shares of stock as required by General Order No. 24A, which order, in so far as applicable, is made a part of this order.

9. Upon the filing by applicant of a supplemental application to which is attached a copy of the franchise issued by the Board of Supervisors of the County of Sacramento as hereinabove provided, the Commission will issue a certificate of public convenience and necessity authorizing it to exercise such franchise upon such terms and conditions as the Commission may designate.

10. 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 25th day of September, 1956.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A
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Schedule No. RO-1

Rosemont Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Rosemont Subdivision adjacent to U. S. Highway 50, approximately 11 miles east of the City of Sacramento, Sacramento County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu.ft. or less	\$ 2.75
Next 4,000 cu.ft., per 100 cu.ft.22
Over 5,000 cu.ft., per 100 cu.ft.16
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.75
For 3/4-inch meter	3.75
For 1-inch meter	6.00
For 1 1/2-inch meter	12.00
For 2-inch meter	16.00
For 3-inch meter	29.00
For 4-inch meter	45.00
For 6-inch meter	85.00

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

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Schedule No. RO-2R

Rosemont Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area known as Rosemont Subdivision adjacent to U. S. Highway 50, approximately 11 miles east of the City of Sacramento, Sacramento County.

RATES

	<u>Per Service Connection Per Month</u>
1. For a single family residence including premises having an area of:	
8,500 sq.ft. or less	\$3.25
Over 8,500 sq.ft. to 10,000 sq.ft.	3.50
Over 10,000 sq.ft., for each additional 100 sq.ft. of area035
a. For each additional residential unit on the same premises served from the same service connection	1.25
b. For each evaporative type cooler, in addition to regular flat rates, during the 4-month period June through September:	
Circulating type20
Noncirculating type50

SPECIAL CONDITIONS

1. The above flat rate charges apply to service connections not larger than one inch in diameter.

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

3. A meter may be installed at option of utility or customer for above classification in which event service will thereafter be rendered on the basis of Schedule No. RO-1, General Metered Service.