

ORIGINAL

Decision No. 53685

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of WELLS WATER SERVICE, a California )  
Corporation, for (1) certificate of )  
public convenience and necessity to )  
continue the operation of and to )  
construct and operate an additional )  
public utility water system in )  
unincorporated areas known as Del )  
Dayo Estates Unit No. 1, 2 and 3, )  
Sacramento County and (2) Establish- )  
ment of rates for the service )  
rendered, and (3) authorization for )  
issuance of corporate stock of appli- )  
cant for property, and (4) authority )  
to bill customers on a bi-monthly )  
basis, and (5) authority to exercise )  
county franchise. )

Application No. 37421  
(As Amended)

Clarence H. Pease and William H. Lally, for  
applicant.

Gordon D. Schaber, for property owners in  
Del Dayo Estates, and Richard E. Crow in  
propria persona, for property owners in  
Del Dayo Estates and Del Dayo Estates  
Unit No. 2, protestants.

Albert L. Wagner, for East Watt Land Company,  
and Frank P. Williams, interested parties.

Robert C. Moeck, for the Commission staff.

## O P I N I O N

An interim opinion and order, Decision No. 53668, was issued herein on August 29, 1956. Reference is hereby made to that decision for an historical account of these proceedings.

Four issues remain to be settled. The first is the question of territorial extension of applicant's certificate. The second, is applicant's request for authority to exercise its county franchise. The third involves approval or disapproval of an agreement between applicant and certain subdividers involving, among other things, the issue of additional stock by applicant. The fourth and final issue concerns the rates to be applied in the extended service area.

Applicant seeks to serve the area shown on Exhibit 1 attached to the application which area is located partly on the south and east side of Fair Oaks Boulevard and a small area on the north and west side. The area includes three subdivisions known as Del Dayo Estates, Del Dayo Estates Unit No. 2 and Del Dayo Estates Unit No. 3.

Applicant's president, the witness Monroe Wells, is an experienced operator. His principal occupation is the operation of water systems for others. He is competent to operate a system of this type.

The system will derive its water supply from a well in Del Dayo Estates, Unit No. 3. This well which is approximately 300 feet deep, produced 325 gallons per minute under test (Exhibit No. 10). It will be equipped with a deep well turbine pump driven by a 20-hp electric motor. The pump will discharge into a 3000-gallon steel pressure tank with a pressure switch set to maintain pressures of between 40 and 60 pounds per square inch. The distribution system will consist primarily of 6" diameter pipe. It is proposed to construct a 6" interconnection between Units Nos. 2 and 3. This will eventually be extended southwesterly to interconnect the two Del Dayo units, (Nos. 2 and 3), with applicant's present system. One inch services will be installed at each consumer's residence.

The supply proposed by applicant herein for its Del Dayo Estates Units Nos. 2 and 3 does not appear to be adequate to fully meet the requirements of the Commission's General Order No. 103. This order indicates that a minimum of 265 and a maximum of 475 gallons per minute is necessary to supply flat rate service to 65 customers, the potential total in said units. The estimated water requirement of these units was not developed on the record in this proceeding. It appears, however, that the maximum allowable limit of supply set forth in the subject general order is reasonably required

for the area as proposed to be served by applicant.

In reference to applicant's proposal to enter into a standby service agreement with the County of Sacramento, consideration by the Commission can only be given thereto at such time as the agreement has been drawn and appropriately presented to it.

On the basis of the evidence in this proceeding a certificate will be granted to cover only Del Dayo Estates Units Nos. 2 and 3. Such certificate, however, will not become effective until applicant has submitted to the Commission satisfactory evidence showing that an adequate water supply has been developed which is acceptable to the Commission.

No showing was made by applicant to establish the present need of water service in the remainder of the requested area south and east of Fair Oaks Boulevard. As to the eight potential customers on the opposite side of the highway, the extent of their properties has not been specifically described by applicant and will not be included in the certificate to be granted. The latter area may be requested by supplemental application herein which sets forth a proper description of the area, and the Commission will issue its further order as appropriate.

A certificate of public convenience and necessity will be granted to applicant to exercise the franchise granted to it by the County of Sacramento.

The Commission finds and concludes that public convenience and necessity will require the acquisition, construction and operation of a public utility water system by Wells Water Service, a corporation, within the area hereinabove referred to as Del Dayo Estates, Units Nos. 2 and 3.

The Commission further finds and concludes that public convenience and necessity require the exercise by applicant of the right,

privilege and franchise granted to applicant by Ordinance No. 520 of the County of Sacramento.

The certificates to be issued in the following order will be granted 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 certificates of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or a political subdivision thereof as the consideration for the grant of such franchise, certificates of public convenience and necessity or rights.

Applicant introduced evidence to show the cost of installing the systems it seeks to acquire in Units Nos. 2 and 3. Applicant's evidence indicated that this cost was approximately \$26,000. That figure includes the cost of the well in Del Dayo Estates Unit No. 3 and its associated installations, the distribution systems in Del Dayo Units Nos. 2 and 3, and the pipeline connecting them but it does not include the cost of the well in Unit No. 2. Applicant proposes to acquire this property from the subdividers by issuing additional shares of its common capital stock to them. Authority is sought to issue 26,000 additional shares of stock of \$1 par value each for this purpose.

The Commission finds that the money, property or labor to be procured or paid for by the proposed issue of stock is reasonably required by the applicant for the purposes specified in its application and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

Applicant may, by supplemental application, seek authority to issue additional stock to cover the actual cost of developing an adequate water supply.

Except as hereinabove provided, applicant will be authorized to carry out the terms and conditions of its contract with the subdividers. A copy of this contract was annexed to the third amended application herein as Exhibit 10. It is entitled "Alternative agreement for sale of water system".

The final matter to be disposed of is the question of the rate structure to be applied to the territory herein certificated. Applicant's final proposal in its third amendment to the application calls for rates substantially in excess of its presently filed rates. The record does not justify such a difference. Applicant will be authorized to apply its presently filed rates to the new territory.

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:

1.a. A certificate of public convenience and necessity be and it is hereby granted to Wells Water Service, a corporation, to acquire, construct and operate a public utility system for the distribution and sale of water within the territory hereinbefore described in the foregoing opinion as Del Dayo Estates, Units Nos. 2 and 3.

b. That applicant shall not extend its water system outside the boundaries of the area herein certificated without further order of the Commission.

2. IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity be and it hereby is granted to Wells Water Service, a corporation, to exercise the rights and privileges granted to it by the Board of Supervisors of the County of Sacramento

under Ordinance No. 520 adopted December 14, 1955.

3. IT IS FURTHER ORDERED as follows:

- a. That applicant is authorized to revise, after the effective date of this order, its presently filed tariff schedules, including tariff service area map, in accordance with the procedure prescribed by General Order No. 96, to provide for the application of said tariff schedules for water service in the areas being certificated by this order, such revised tariff sheets to be effective on or before the date service is first rendered to the public under the authority herein granted. Such revised tariff sheets shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.
- b. 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.
- c. Applicant shall file within forty 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 100 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 being certificated by this order.
- d. 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.

4. IT IS FURTHER ORDERED that applicant may issue not to exceed 26,000 shares of its common capital stock of the par value of \$1 per share (total par value \$26,000) to Frank V. Williams and East Watt Land Company, Inc., a corporation, for the purpose of acquiring the public utility water system referred to in the foregoing opinion.

5. IT IS FURTHER ORDERED that applicant shall file with the Commission a report, or reports, as required by General Order No. 24A, which general order, in so far as it is applicable, is made a part of this order.

6. IT IS FURTHER ORDERED that none of the shares of stock authorized by paragraph 4 hereof shall be sold or issued unless and until applicant corporation first shall have selected an escrow holder and said escrow holder first shall have been approved by the Commission; that when issued all documents evidencing any of said shares of stock shall be deposited with said holder forthwith, to be held as an escrow pending the further written order of the Commission; that the receipt of said escrow holder for said documents shall be filed with the Commission; and that the owners or persons entitled to said shares shall not consummate a sale or transfer of said shares, or any interest therein, or receive any consideration therefor, until the written consent of the Commission shall have been obtained so to do.

7. IT IS FURTHER ORDERED that applicant is authorized, except as hereinabove noted, to carry out the terms and provisions of an agreement entitled "Alternative agreement for the sale of water system", a copy of which is annexed and designated Exhibit No. 10 to applicant's third amendment to application on file herein.

8. The authorizations granted in paragraphs Nos. 4 and 7 of this order will expire if not exercised within one year from the date hereof.

9. IT IS FURTHER ORDERED that the application of Wells Water Service, except as specifically granted herein, be and it is denied without prejudice.

10. IT IS HEREBY FURTHER ORDERED as follows: That the decision herein is conditioned upon and shall become effective only when applicant shall have certified in writing to the Commission that it has developed an adequate water supply of not less than a total of 475 gallons per minute for the territory herein certificated.

The effective date of this decision shall be five days after the above condition has been complied with.

Dated at San Francisco, California, this 27th day of November, 1956.

[Signature]  
President

[Signature]

[Signature]

[Signature]

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Commissioners