

ORIGINAL

Decision No. 54653

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ROYAL OAKS WATER COMPANY, a California corporation, for a Certificate of Convenience and Necessity to construct and operate a water distribution system)
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 and)
)
 Application of ROYAL OAKS WATER COMPANY, a California corporation, for authority to issue and sell its capital stock.)
)

Application No. 36946 (First Supplemental)

Crrick, Dahlquist, Herrington and Sutcliffe by Warren A. Palmer for Royal Oaks Water Company.

John B. Heinrich for the County of Sacramento, interested party.

W. B. Stradley and Sidney J. Webb for the Commission staff.

O P I N I O N

Royal Oaks Water Company presently rendering a water service in Unit 2 of Foothill Farms Subdivision, by supplemental application filed November 15, 1956, requests authority to (a) extend its service to Units 1 and 3; (b) exercise the rights and privileges and franchise granted by the County of Sacramento by Ordinance No. 488 dated April 6, 1955.

A public hearing was held before Examiner Thomas E. Daly on January 23, 1957, at Sacramento and the matter was submitted.

By Decision No. 52028 dated October 4, 1955, in this proceeding, applicant was authorized to construct and operate a water system for the distribution and sale of water within Unit No. 2 of Foothill Farms Subdivision located in the County of Sacramento. Applicant was also authorized to issue and sell 422.8 shares of its

common stock, having an aggregate par value of \$21,140, and \$31,710 in principal amount of 3½ per cent, 20-year debentures, to finance the estimated cost of the water system.

Foothill Farms Subdivision is divided into three units. Unit No. 1 consists of 80 lots. At the present time this area is occupied by six model homes and an office building. Construction on the remainder of the lots is to commence very soon. Unit No. 2 has been completed and consists of 183 occupied homes. Unit No. 3 consists of 425 lots on which 105 homes have been constructed.

According to the record Foothill Farms Subdivision has been developed as the result of a joint venture operation known as Northridge Associates. One of the members of the joint venture is a firm known as Hitchcock & Chamberlain, Ltd., which owns all of the outstanding stock of applicant. On October 9, 1956, Hitchcock & Chamberlain, Ltd., entered into a stock purchase agreement with Citizens Utilities Company, a Delaware corporation. Under the terms of the agreement Hitchcock & Chamberlain, Ltd., agreed to sell all of the outstanding stock of Applicant (422.8 shares of common stock) for the sum of \$20,967.72. In addition Citizens Utilities Company has agreed to purchase all obligations and liabilities owed by applicant to Hitchcock & Chamberlain, Ltd. and Northridge Associates for the sum of \$159,304.96.

The funds required for completing the water systems needed to serve Units 1 and 3 will be provided applicant through open account advances from Citizens Utilities Company, which as of November 30, 1956, indicated total assets in the amount of \$22,370,411.

The proposed rates, rules and regulations will be the same as those presently on file with this Commission.

On April 6, 1955, the Board of Supervisors of Sacramento County by Ordinance No. 488 granted to applicant a franchise to lay, construct, maintain and operate water pipelines, and a distribution and transmission system in an area which includes that herein considered. The term of the franchise is 50 years and requires applicant to pay to the County 2 per cent of its gross annual receipts arising from the use, operation or possession thereof, provided, however, that no percentage shall be paid for the first five years.

The County of Sacramento originally appeared in protest to the authority sought, but changed its appearance to that of an interested party when assured that applicant possessed a county franchise covering the area in question.

After consideration the Commission is of the opinion and so finds that public convenience and necessity require the construction and operation of a public utility water system by Royal Oaks Water Company, within the area delineated upon the maps annexed to Exhibit B, which is attached to the application herein. It is further found that public convenience and necessity require that applicant exercise the right, privilege and franchise granted to applicant by Ordinance No. 488 of the County of Sacramento.

The certificates thus to be issued 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

Application having been filed and the Commission being informed in the premises,

IT IS ORDERED:

(1) That a certificate of public convenience and necessity is hereby granted to Royal Oaks Water Company to construct and operate a public utility water system for the distribution and sale of water within the territory hereinbefore described.

(2) That Royal Oaks Water Company is authorized to revise 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 area being certificated by this order, such revised tariff sheets to become effective on or before service is first furnished to the public under the authority herein granted. The hereinabove-mentioned tariff sheets shall become effective on or after the effective date of this order on five days' notice to the Commission and to the public after filing as hereinabove provided.

(3) That applicant shall notify this Commission, in writing, of the date service is first rendered to the public, under the authority herein granted, within ten days thereafter.

(4) That 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 for which this certificate is issued; the principal water production, storage and distribution facilities; and the location of the various properties of applicant.

(5) That 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.

(6) That a certificate of public convenience and necessity is hereby granted to Royal Oaks Water Company to exercise the rights and privileges granted by the County of Sacramento, by Ordinance No. 488, adopted April 6, 1955.

(7) 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 12th day of MARCH, 1957.

[Signature]
 President

[Signature]

[Signature]

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 Commissioners