

ORIGINAL

Decision No. 54680

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 LINCOLN OAKS WATER CO., INC., a )  
 California corporation, for a cer- )  
 tificate of public convenience and )  
 necessity authorizing applicant to )  
 furnish public utility water )  
 service in certain portions of )  
 Sacramento County, California, to )  
 exercise franchise rights in con- )  
 nection therewith, and to issue and )  
 sell its capital stock. )

Application No. 38485

Orrick, Dahlquist, Herrington & Sutcliffe by  
Warren A. Palmer, for applicant.  
John B. Heinrick, for the County of Sacramento,  
 protestant.  
W. B. Stradley and Sidney J. Webb, for the  
 Commission staff.

O P I N I O N

By its application, as amended, Lincoln Oaks Water Co., Inc., requests authority to: (a) construct, operate and maintain a water service in an area northeast of the City of Sacramento; (b) issue and sell 25,000 shares of its capital stock at an aggregate par value of \$25,000, for cash; (c) issue a noninterest bearing promissory note in the amount of \$29,100.

A public hearing was held before Examiner Thomas E. Daly on January 23, 1957, at Sacramento and the matter was submitted upon the receipt of certain late-filed exhibits since received and considered.

The record shows that on August 3, 1956, Oakvale Water Company, hereinafter referred to as Oakvale, filed its Application No. 38312 seeking authority to provide a public utility water service in an extensive area substantially commensurate with an area covered by franchises granted by the County of Sacramento. Located

within the area are many subdivisions including the Lincoln Oaks Subdivision. Said subdivision is being developed by the firms of Lincoln Oaks Corp. and Lincoln Development Co., a partnership. The subdividers have installed a water system within the subdivision and have been serving the residents thereof without charge. Because the subdividers were unable to negotiate with Oakvale as to the acquisition of the system they caused the applicant corporation to be formed. On October 8, 1956, the original application herein was filed with this Commission and the service area was limited to the subdivision consisting of approximately 160 acres. Public hearing on the Oakvale application, which was protested by applicant, was had and the matter submitted on October 25, 1956. On November 20, 1956, Oakvale and applicant entered into an agreement whereby Oakvale assigned to applicant the northern portion of the franchise area granted by the County of Sacramento. On December 11, 1956, applicant amended its application to include approximately 4,500 acres of the northern franchise area.

Within the proposed service area are approximately seven subdivisions. In Dudley Meadows 47 homes are to be constructed commencing March, 1957. Construction of approximately 400 homes in Sierra View is to commence before the end of this year. In March of this year construction of approximately 200 homes will be commenced in Benet Estates. Twenty-five homes are presently under construction in Sylvan Park and construction on the remaining 407 homes is planned to be completed by 1958. Construction on 171 homes in Grand Oaks is to be commenced in February of this year and is planned to be completed by 1958. By the middle of 1957 construction of 400 homes in the B. I. Lusk Subdivision is to begin. In the Gamel and Ackerman Subdivision construction of 375 homes is to be started by the end of 1957. One half of the 160-acre Lincoln Oaks Subdivision has already been completed. Applicant proposes both flat rates and meter rates for the service to be rendered.

Applicant proposes to acquire from the subdividers the existing water system in Lincoln Oaks Subdivision and has agreed to a purchase price of \$67,500, which reportedly represents the cost to install the water system. To finance the purchase price, applicant proposes to utilize proceeds from the sale, for cash, of 25,000 shares of its capital stock of an aggregate par value of \$25,000, to Citizens Utilities Company, a Delaware corporation, hereinafter referred to as Citizens, through the issue to the subdividers of a noninterest bearing note maturing three years after the closing date specified in the water service agreement, dated October 4, 1956, in the principal amount of \$29,100, and through the use of cash funds acquired by applicant from Citizens on an open account basis. All further funds required by applicant to construct additional facilities will also be advanced by Citizens on an open account basis. As of November 30, 1956, Citizens reported an investment in assets totaling \$22,370,411.

It should be noted that Citizens has entered into an agreement to purchase the stock of Royal Oaks Water Company, which is certificated to serve an area immediately adjacent to the proposed service area. If the authority herein sought is granted it was stated that Royal Oaks Water Company and applicant may be merged. In any event, it was made clear that both water companies would receive managerial supervision and unlimited financial assistance from Citizens.

The protest of the County of Sacramento was predicated upon Resolution No. 16,444, which was passed and adopted by the Board of Supervisors of Sacramento County on December 17, 1956. A copy of the resolution was received in evidence as Exhibit No. 12. The resolution announced the policy that the Board of Supervisors shall grant no franchises to any person, firm or corporation for the sale and distribution of water in the unincorporated area of the County of Sacramento where water service is presently available from public or private sources. A representative of the County of Sacramento

stated that the granting of numerous franchises has lead to a chaotic condition.

With the exception of Sylvan Park and a small portion of Grand Oaks the proposed service area is covered by franchises granted by the County of Sacramento, i.e., Ordinances Nos. 540 and 523. The franchises are assignable and as such were transferred by Oakvale to applicant. It would seem therefore that the County's protest would have to be limited to that relatively small portion of unfranchised territory covered by the application. A witness associated with Grand Oaks Subdivision and who had been associated with Sylvan Park Subdivision testified that the unfranchised area lies within the San Juan Suburban Water District and the Citrus Heights Irrigation District. Several demands for water were made upon Citrus Heights Irrigation District and they were refused on the ground that the District did not have, at the time, the necessary facilities or money to extend service. It was stated that the San Juan Suburban Water district is in the nature of a master district supplying water on a wholesale basis to other districts engaged in the retail sale of water. After consideration, the Commission is of the opinion that it would be unwise and impractical to divide these subdivisions to conform to the area covered by the County franchises.

The record indicates a substantial portion of the proposed service area consists of subdivisions wherein construction has actually commenced or will commence in the very near future. Therefore the certificate herein granted will encompass the entire area requested by applicant.

The Commission is therefore of the opinion and so finds that public convenience and necessity require the construction and operation of a public utility water system by Lincoln Oaks Water Co., Inc. The Commission further finds that the proposed rates are just

and reasonable, that the proposed issues of stock and the promissory note should be approved, that the money, property or labor to be procured or paid for through the issue of the stocks and promissory note herein authorized is reasonably required for the purposes set forth herein and that such purposes are not in whole or in part reasonably chargeable to operating expense or to income.

The certificate of public convenience and necessity herein granted 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 tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.

The action taken herein shall not be construed to be a finding of the value of the property to be acquired with the proceeds of the capital stock herein authorized to be issued.

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 Lincoln Oaks Water Co., Inc., to construct and operate a public utility water system for the distribution and sale of water within the territory described as follows:

The area located in Sacramento County beginning at the intersection of Auburn Boulevard and Greenback Land centerlines; thence southwesterly along center line of Auburn Boulevard to the intersection of Auburn Boulevard and Spruce Avenue centerlines; thence north along centerline of Spruce Avenue to the intersection of Spruce Avenue and U. S. 40 (Freeway) centerlines; thence northeasterly along centerline of said Freeway to the intersection of

the east line of Rancho Del Paso, recorded in the office of the Recorder of Sacramento County in Book A of Surveys, Map No. 94, and the centerline of said Freeway; thence north along the east line of said Rancho Del Paso to the intersection of the east line of said Rancho Del Paso and the easterly production of the centerline of Grant Line Road; thence west along the centerline of the easterly production of Grant Line Road to the intersection of said production line and the centerline of the Southern Pacific Railroad right of way; thence northeasterly along centerline of said railroad to the intersection of said railroad centerline and the Sacramento County line; thence east along said county line to the intersection of said county line and the centerline of Auburn Boulevard; thence south along the centerline of Auburn Boulevard and Sylvan Road to the intersection of Sylvan Road and Greenback Lane centerlines; thence west along the centerline of Greenback Lane to the intersection of Greenback Lane and San Juan Avenue centerlines; thence south along centerline of San Juan Avenue to easterly production of the east-west centerline of Sec. 3, R.6 E., T.9 N.; thence west on said centerline to the center of said Section; thence north along centerline of Dewey Drive to the intersection of Dewey Drive and Greenback Lane centerlines; thence west along centerline of Greenback Lane to the point of beginning.

Said area excludes the area certificated to Arlington Water Company by Decision No. 54521 dated February 11, 1957, in Application No. 38451.

2. That Lincoln Oaks Water Co., Inc., shall not extend water service outside of the territory certificated herein without authority first having been obtained from this Commission.

3. That Lincoln Oaks Water Co., Inc., 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 authority herein granted, together with rules and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96. Said rates, rules and tariff service area map shall become effective on five days' notice to the Commission and to the public after filing as hereinabove provided.

4. That applicant shall notify this Commission in writing of the date service is first furnished to the public under the rates and rules authorized herein, within ten days thereafter.

5. That applicant shall file within forty days after its 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 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served for which the certificate is issued; the principal water production, storage and distribution facilities, and the location of the various properties of applicant.

6. That applicant shall base the accruals to depreciation upon spreading the original cost of its 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.

7. That applicant, after the effective date hereof and on or before June 15, 1957, may issue not exceeding \$25,000 par value of its capital stock and may further issue a noninterest bearing promissory note in the amount of \$29,100 for the purposes described in the foregoing opinion.

8. That applicant shall file with the Commission monthly reports, as required by General Order No. 24-A, which order, in so far as applicable, is hereby made a part of this order.

9. That the authorization granted to applicant herein will expire if not exercised within one year from the date hereof.

10. That a certificate of public convenience and necessity is hereby granted to Lincoln Oaks Water Co., Inc., to exercise the

rights, privileges and franchises granted to Oakvale Water Company by Ordinances Nos. 523 and 540 of the County of Sacramento on the area described in Exhibit C attached to Exhibit No. 6 in this proceeding, and which rights, privileges and franchises have been assigned and transferred to applicant herein.

11. That Lincoln Oaks Water Co., Inc., is hereby authorized to carry out the terms and conditions of the water service agreement attached to the original application as Exhibit D so far as they are not inconsistent with the order herein.

12. That applicant's request to file and make effective its rates on one days's notice is hereby denied.

13. That the authority to issue a promissory note shall become effective when applicant has paid the fee of \$30 as required by Section 1904 of the Public Utilities Code.

The effective date of this order, except as it relates to ordering paragraph 13 above, shall be twenty days after the date hereof.

Dated at San Francisco, California, this 19<sup>th</sup> day of March, 1957.

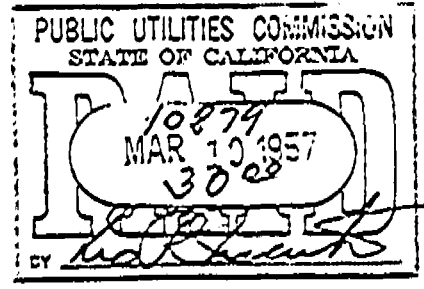
[Signature]  
President

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Commissioners



Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.



APPENDIX A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area including approximately 4,500 acres adjacent to both sides of Highway U. S. 40, approximately 14 miles northeasterly of the City of Sacramento, Sacramento County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rates:	
First 800 cu.ft. or less .....	\$ 3.00
Next 4,200 cu.ft., per 100 cu.ft. ....	.20
Next 5,000 cu.ft., per 100 cu.ft. ....	.15
Next 10,000 cu.ft., per 100 cu.ft. ....	.125
Over 20,000 cu.ft., per 100 cu.ft. ....	.10
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 3.00
For 3/4-inch meter .....	3.50
For 1-inch meter .....	6.35
For 1 1/2-inch meter .....	9.75
For 2-inch meter .....	14.25
For 3-inch meter .....	23.25
For 4-inch meter .....	45.25
For 6-inch meter .....	66.75

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

APPENDIX A  
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Schedule No. 2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area including approximately 4,500 acres adjacent to both sides of Highway U. S. 40, approximately 14 miles northeasterly of the City of Sacramento, Sacramento County.

RATES

Per Service Connection  
Per Month

For each residential unit without swimming pool, including a lot having an area of:

First 7,000 sq.ft. or less .....	\$3.00
Over 7,000 sq.ft. to 9,000 sq.ft. ....	3.25
Over 9,000 sq.ft. to 11,000 sq.ft. ....	3.50
Over 11,000 sq.ft. to 13,000 sq.ft. ....	3.75
Over 13,000 sq.ft. to 15,000 sq.ft. ....	4.00
Over 15,000 sq.ft. to 20,000 sq.ft. ....	4.60
Over 20,000 sq.ft. for each additional 1,000 sq.ft. or fraction thereof .....	.085

For each noncirculating type evaporative room cooler, during the months of May through September inclusive, in addition to single family residence rate .....	.50
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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, and must be continued under Schedule No. 1 for not less than 12 months before it may again be changed to flat rate service.